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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

HONDURAS

PROJECT PAPER

BASIC EDUCATION AND SKILLS TRAINING

AID/LAC/P-941

PROJECT NUMBER: 522-0388

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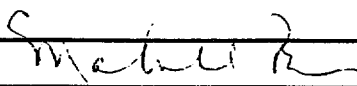
Agency for International Development PROJECT DATA SHEET				1. Transaction Code [A] A = Add C = Change D = Delete		Document Code 3			
2. Country/Entity HONDURAS				3. Project Number 522-0388					
4. Bureau/Office USAID/Honduras				5. Project Title Basic Education and Skills Training					
6. Project Assistance Completion Date (PACD) MM DD YY 12 31 04				7. Estimated Date of Obligation 4/95 (Under "B" below, enter 1,2,3, or 4) A. Initial FY 9 5 B. Quarter[3] C. Final FY 9 9					
8. Costs \$000 or Equivalent \$ 1 =									
A. Funding Source		First FY 95			Life of Project				
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. TOTAL		
AID Appropriated Total		1,435		1,435	10,235		10,235		
(Grant)									
(Loan)									
Other	1.								
U.S.	2.								
Host Country			538	538		5,614	5,614		
Other Donor(s)									
TOTALS		1,435	538	1,973	10,235	5,614	15,849		
9. Schedule of AID Funding (\$000)									
A. Appropriation	B. Primary Purpose	C. Primary Tech. Code		D. Obligations to Date		E. Amount Approved This Action		F. Life of Project	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	Basic Education					1,435		10,235	-
(2)									
(3)									
(4)									
TOTALS									-
10. Secondary Technical Codes (maximum 6 codes of 3 positions each)								11. Secondary Purpose Code	
12. Special Concerns Codes (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. Project Purpose (maximum 480 characters) To expand access to high quality basic education and vocational training for out-of-school youth and young adults.									
14. Schedule Evaluations MM YY MM YY Interim 0 3 9 7 Final 1 0 9 9						15. Source/Origin of Goods and Services [X] 000 [] 941 [] Local [] Other (specify) _____			
16. Amendments/Nature of Change Proposed (This is page 1 of a ___ page PP Amendment)									
Approved by	Signature 				DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION				
	Title: Director USAID/Honduras		Date Signed: 5/25/95						

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(522-0388)

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I. Summary

The Basic Education and Skills Training Project (BEST) will be a five year effort to expand access to high quality basic education and vocational training for out-of-school youth and young adults. This will encourage Honduran youth about to enter the labor force and young adults to master the necessary basic educational skills and technologies required in a more modern and competitive economy. By the end of the fifth year (December 31, 1999), it is expected that over 260,000 low-income individuals (of which approximately 49% will be women) will have graduated from alternative basic education and vocational training programs, with a total estimated increase in beneficiary earnings of \$30 million over a five year period. The projected benefit-cost ratio suggests that the project is well worth doing.

Under the project, USAID will help finance the Ministry of Education's (MOE) Alternative Basic Education System (ABEDS), a Vocational Training with Basic Education component (VT/BE) and a Policy Reform and Project Promotion (PRPP) program. Funding for the VT/BE and PRPP components will be channelled through a Cooperative Agreement with a USAID-registered Private Voluntary Organization (PVO), the Advisory Council for Human Resources Development (CADERH). In addition, the Mission will also use grant funds to establish, subject to USAID/W approval, a U.S. dollar endowment that will enable CADERH to provide technical assistance, training and material support to vocational training centers during and beyond the life of project.

The estimated total cost of the project is \$15,849,000, of which USAID will contribute \$10,235,000. The Government of Honduras (GOH) counterpart will be the local currency equivalent of \$2,730,000. CADERH and other Non-Governmental Organizations (NGOs) that will be offering vocational training and basic education under the project will contribute the equivalent of \$2,884,000 in cash and in-kind. The USAID contribution includes \$600,000 to establish the endowment.

Although the project will be authorized for a 10-year period, all three components (ABEDS, VT/BE and PRPP) will terminate on December 31, 1999. These components will be obligated under a bilateral Project Grant Agreement with the Government of Honduras. The endowment, however, which will be obligated directly by USAID to CADERH under a separate Endowment Grant Agreement, will have a 10-year life through December 31, 2004. Hence, USAID will authorize the project as a whole for ten years, with a Project Assistance Completion Date (PACD) of December 31, 2004.

The BEST Project design builds upon USAID/Honduras' positive experiences with the Primary Education Efficiency Project (PEEP), which has a current PACD of December 1995, and the CADERH Project, which ended in July 1994:

- ◆ Since 1986, PEEP-financed activities have brought significant advances in curriculum development, instructional materials, standardized tests, teacher training, and interactive radio instruction. These have contributed to a 60% increase in primary

school graduates (of which 52% are female). MOE Adult Education Division staff and MOE staff who have worked with USAID under PEEP will be primarily responsible for implementing the ABEDS component of BEST.

- ◆ CADERH, the Honduran PVO that will implement the Vocational Training and Policy Reform components of BEST, was established in 1982 as an advisory committee to assist USAID/Honduras in evaluating human resource and vocational training investment options. Subsequent USAID investments in CADERH's institutional development and vocational training programs have resulted in a well-run and financially self-sufficient non-profit institution which has successfully managed the construction and equipping of 16 vocational training (VT) centers, provided technical assistance to private sector businesses and training centers, and trained more than 25,000 individuals (34% women) in over 30 trades.

Based on its positive experience with the PEEP and CADERH projects, USAID/Honduras believes that the chances of accomplishing the targets set forth under the BEST Project are excellent.

II. Background and Problem

The lessons of economic development highlight the importance of human resource development. Countries with education and training systems which produce better educated and skilled workers who can adopt new technologies will be in the best position to grow and exploit new global and regional market opportunities.

Honduras, unfortunately, is not yet well-placed to respond to these opportunities. Due in large measure to the high opportunity costs of school attendance for the poor, over 50% of the 1.7 million Honduran workforce have not completed primary school, and over 80% have not completed secondary school. International experience has shown that unless these percentages increase, economic growth will continue to lag because of the low productivity of a poorly educated and marginally trainable workforce.¹

A recent assessment of the Honduran labor force concluded that low levels of basic education and technical skills are becoming a major obstacle for Honduras as it seeks to compete in regional and global markets.² It is evident that massive skills upgrading for new labor force

¹ See, among others, Robert Reich, The Work of Nations (1992); and LAC/DR/EHR, Education and Economic Development Studies (1993) and "Ten Reasons to Invest in Education" (1994) for correlations between education and socioeconomic development and implications for less developed nations.

² See Byron Battle, et.al, "Honduras: Workforce Assessment" (Tegucigalpa: USAID/WPI Inc. October 1994), which concluded that people trained in higher level technologies, industrial maintenance, and related areas are in short supply, while a significant percentage of the Honduran workforce is virtually untrainable for higher level technologies because of its low levels of education.

entrants and improvements in the basic literacy and numeracy of those already working are essential.

In Honduras there have been few effective mechanisms to offer basic education and vocational training to the Honduran labor force and, most importantly, the emerging workforce of out-of-school youth and young adults. Through parallel and complementary programs in adult education and vocational training, the BEST Project will provide flexible and low cost opportunities for this population to earn basic education degrees and obtain vocational skills.

III. Project Description

A. Project Goal and Purpose

The goal of the Basic Education and Skills Training (BEST) Project will be "enhanced economic participation and increased incomes of the poor through investment in people." This goal is synonymous with USAID/Honduras' Strategic Objective No. 1 and Program Outcome 1.3.

The project purpose will be to "expand access to high quality basic education and vocational training for out-of-school youth and young adults." In so doing, BEST-funded activities will enhance the ability of these intended beneficiaries to secure higher paying jobs. Since the number of individuals in the labor force without a basic education or vocational skills exceeds 1,300,000 (more than 75% of the 1.7 million economically active population), reaching all this group will not be feasible with available resources. However, USAID and the GOH expect that at least 262,600 individuals (250,000 ABEDS graduates and 12,600 trade certified VT graduates) will directly benefit from project-funded activities.

B. End-of-Project Status

By the end of five years (December 1999), activities under the BEST Project are to have accomplished the following results:

- ◆ 250,000 ABEDS graduates, of whom 50% will be women, through a flexible basic education system offered by the MOE, 24 NGOs and up to 12 selected municipalities;
- ◆ 150% increase over 1994 levels in the aggregate ABEDS standardized test scores;
- ◆ 12,600 certified vocational training (VT) graduates, of whom at least 30% will

be women, through 27 vocational training centers;³

- ◆ \$30 million in additional earnings of ABEDS and VT graduates; and
- ◆ 80% employment rate among VT graduates.

These targets can be achieved partly because of the prior achievements of PEEP (which produced experimental curricula, texts and educational materials, competency-based testing and interactive radio programming that can be used in ABEDS) and because of USAID/Honduras' work with CADERH (which resulted in 16 fully operational VT centers, competency-based training modules in over thirty trades, and an excellent track record in procurement, managing construction, and providing the necessary technical assistance and material support to VT centers).

C. Project Activities

The BEST Project will have three interrelated components:

- ◆ **Component I: Alternative Basic Education Delivery System (ABEDS)**
- ◆ **Component II: Vocational Training with Basic Education (VT/BE)**
- ◆ **Component III: Policy Reform and Project Promotion (PRPP).**

The three components of the project will be complementary: self-paced learning materials and a basic education testing system developed for ABEDS will be used by VT centers; as they increase their basic education level, ABEDS participants will gain increased access to higher level academic studies and vocational training programs; and, Component III will build upon the advances of the project to promote additional policy reform in education and training.

1. Component I: Alternative Basic Education Delivery Systems (ABEDS)

Activities under the ABEDS component will offer 250,000 out-of-school youth and young adults basic education programs through existing MOE adult education centers and by entering into agreements with 24 NGOs and up to 12 municipalities (the ABEDS sponsors). The ABEDS program will have an extremely low cost per beneficiary. This will be made possible largely by the participation of volunteer facilitators and NGOs and selected

³ USAID expects that female participation will be increased from about 20% in existing VT centers to 30% over the life of the project. USAID has established a further goal of 40% participation in new training centers with the introduction of training for nontraditional trades, which have less gender biases. Consequently, the project should achieve an average of 35% female participation by 1999. These targets will be monitored closely through semi-annual assessments of Component II activities.

municipalities (on an experimental pilot basis), which have their own funding sources. These funding sources will supplement the USAID contribution to this component; their existence will help assure the financial sustainability of ABEDS-sponsored efforts after the PACD. The existing MOE/ABEDS Project Implementation Unit (PIU) will serve as the principal coordinator for the adult basic education activities under the project. The key characteristics of the ABEDS are: a flexible customer-oriented program; the use of specialized educational materials; the use of low-cost volunteer facilitators; and the incorporation of NGOs and selected municipalities to expand the system's reach.

a. A Flexible Customer-Oriented Program

Through ABEDS, a flexible adult education program will be accessible to all who seek a "second chance." The program will respond to student needs by providing a variety of learning sites (over 1000 centers nationwide located in schools, churches, businesses, homes, etc.), modes of study (written materials, cassettes, radio broadcasts), and times of study (basically any time). Students entering the system will take a placement test to determine which level they are to enter, develop their own self-paced study plan, and then progress at their own pace with the intermittent assistance of ABEDS center staff. This "staff" will serve as facilitators, rather than as teachers, helping students help themselves. As soon as they feel ready, students will be able to take a test to determine if they have graduated to the next level. Students who pass the standardized tests will be issued a diploma by the MOE. Students may then continue their studies at the next level, or if they have reached their goal, will simply graduate from the ABEDS program.

b. Alternative Educational Materials

The curriculum and standardized testing system developed by the PIU for ABEDS students will adapt PEEP's textbooks, teachers' guides and self-paced instructional materials in Spanish, Mathematics, Natural Science and Social Studies, all of which are based on the MOE's minimum learning objectives (*Rendimientos Básicos*). The PIU will also develop standardized tests providing uniform standards for all youth and adults who wish to earn basic education degrees.

In addition, PIU staff will expand the use of gender-sensitive interactive radio, building upon experience under PEEP and the USAID/LAC regional LearnTech Project. Other gender-sensitive media such as audio-cassettes, graphic materials and flip charts will also be developed by the PIU to complement and facilitate out-of-school learning.

USAID will assist the MOE by initially using grant monies from BEST to fund the costs of producing educational materials, cassettes and radio programs, which will be distributed free of charge to adult education centers throughout the country. When these materials are exhausted (after the first year), NGOs and selected municipality programs will purchase these materials and charge employers, students and other entities to cover this cost. As the MOE is not allowed to sell materials, MOE adult education centers may continue to distribute

materials to students free of charge or ask students to purchase these materials from other sources.

The MOE will contract with the Regional Center for Technical Assistance (CENTRO RTAC-II in Honduras and USAID Project No. 598-0791) to reprint and distribute a portion of these educational materials. RTAC will charge a 5% fee above cost for all materials to help offset its annual operating expenses. RTAC will serve as the principal source of materials for NGOs, municipalities and other ABEDS sponsors after the project-funded materials printed by the MOE during the first year have been exhausted.

c. Volunteer Facilitators

With the assistance of NGOs and selected municipalities, the PIU staff will enlist and support approximately 15,000 volunteers (50% female) to work in the ABEDS centers to teach out-of-school youth and young adults. The Project will draw on the previous work by the MOE and PEEP in utilizing **volunteer facilitators**.⁴

The volunteer facilitators will be required to have at least a primary education and a demonstrated commitment to serve the needs of others. While the MOE adult education centers and other ABEDS sponsors generally will not pay facilitators more than token amounts⁵, the MOE will ensure that appropriate public recognition is given to these volunteers. Some particularly talented volunteer facilitators may also become salaried instructors or trainers of other facilitators.

A corps of MOE employees and others trained under the Honduran Peace Scholarship (HOPS) program in modern methods of teaching, motivating and evaluating out-of-school youth and adult learners will train the volunteer facilitators in their respective communities through a training of trainers approach. Facilitators will not be taught to be traditional teachers to implement "teacher centered" curricula, but rather to be facilitators of learning under "student centered" curricula, encouraging open discussion, creating a supportive and productive learning environment and encouraging participants to assume higher levels of responsibility for their own educational development.

⁴ NGO and MOE adult education programs depend a great deal on "**volunteer facilitators**." NGOs and the MOE have recruited and trained several thousand volunteer facilitators over the past several years. The use of volunteer facilitators, rather than traditional teachers, has allowed the MOE and NGOs to expand adult education programs with good results, while budgetary constraints would have precluded the contracting of additional teachers. The Project will also promote the participation of over 3,000 USAID Peace Scholars and U.S. Peace Corps volunteers as facilitators. These two groups which have already been active in adult basic education and are willing to work with the BEST Project.

⁵ The MOE currently pays a token wage to over a thousand volunteer facilitators (\$12 per month and/or payment in-kind through food assistance made available by the European Union).

In selecting persons who will receive training to become trainers of facilitators, and in the subsequent recruitment of facilitators, the MOE will make a special effort to recruit women, since 70 to 75% of the current adult education instructors are male, while approximately half the participants are male.

d. Expanded NGO and Municipality Involvement

In addition to the GOH/MOE, approximately 24 NGOs and up to 12 selected municipalities will participate as sponsors of ABEDS under the Project. Given the limitations of public resources for an alternative basic education system, the success of this program will depend upon the substantial support of NGOs, municipalities, employers and other entities to help finance these activities. These groups will be asked to assume increasing proportions of the costs of facilitators and facilitator trainers and to help cover the MOE's costs for materials, cassettes and radio programs. Municipalities may participate indirectly by subcontracting services to an NGO or through cost-sharing arrangements, such as through land donations. The MOE will negotiate agreements with participating NGOs and selected municipalities that will detail the terms of their participation in the ABEDS component and the resources expected of them.

There are currently about 35 NGOs involved in adult education in Honduras. These NGOs have already invested considerable human and financial resources in training facilitators for their own programs. The project's educational materials, standardized testing procedures, and other pedagogical services provided by MOE/ABEDS staff will support some 24 of these NGO programs, achieving economies of scale and higher levels of efficiency. Similarly, the trainers from these organizations may also be called upon by the MOE to assist in the training of additional volunteer facilitators.

The participation of municipalities in adult education has been less common than that of NGOs, which have traditionally been the primary sponsors of adult education outside the MOE. There are currently only a few municipalities offering adult education. ABEDS PIU staff will work with a few selected municipalities, on a pilot basis at the outset to determine *if and how* these entities can participate in basic education training for youth and adults. Two municipalities, Puerto Cortés and Omoa, have already shown interest in participating in the ABEDS program. In CY1996 ABEDS PIU staff will negotiate agreements with these two municipalities that will detail the terms of their participation in the ABEDS component and the resources expected from them. Should these pilot programs function well and prove they are able to cover costs without unduly burdening the municipal government, ABEDS PIU staff will negotiate similar agreements with other interested municipalities.

The PIU staff will provide on-going support to ABEDS sponsors by training facilitators; providing technical assistance to the sponsors of ABEDS; developing and distributing educational materials (through the MOE and RTAC); implementing a standardized testing system; and issuing official MOE diplomas.

2. Component II: Vocational Training with Basic Education (VT/BE)

Under the Vocational Training with Basic Education (VT/BE) Component, VT centers operated by NGOs and municipalities will provide skills training to at least 12,600 students (30% female) by December 31, 1999. All VT centers will also provide alternative basic education opportunities for their students. CADERH will serve as the implementing institution for this Component and will: help establish new VT centers; help existing VT centers purchase equipment and improve their facilities; develop and distribute competency-based training modules; facilitate basic education opportunities in VT centers; and provide ongoing technical assistance, training and material support to VT centers.

a. New and Fully Operational VT Centers

CADERH will help NGOs and municipalities establish at least 15 additional "turn-key" vocational training centers and business incubators⁶ by 1999.⁷ CADERH will: construct or rebuild training facilities; equip each new center with appropriate machinery and equipment suited to the vocation; establish a production fund to purchase raw materials and facilitate the integration of marketable production with instruction; train the centers' staff; provide each center with competency-based training materials and trade certification services; and provide business training through activities similar to the U.S. Junior Achievement program ("Empresarios Juveniles").

b. Support to Existing VT Centers

CADERH will also provide assistance to at least 12 of the 16 existing NGO-operated VT centers assisted under the previous CADERH Project. These centers will receive financial support for new equipment and for the physical upgrading of training facilities. CADERH will continue to provide these centers with updated competency-based training materials and trade certification tests.

c. Development and Use of Competency Based Training Modules

CADERH will expand competency-based training, printing and distribution of over 50,000 training modules and will develop gender-sensitive training modules for at least three additional trades. Among those currently being considered are new modules for electronics, industrial maintenance, apparel, food processing, and the tourist industry. CADERH currently has training and testing materials for 30 different trades.

⁶ Business incubators are programs which assist new entrepreneurs to start a small business in a supportive, low-cost environment.

⁷ There are currently 16 nonformal vocational training centers associated with CADERH. Only the most successful of these centers (perhaps 12) will be assisted under the BEST Project.

d. Basic Education Opportunities

All VT centers will offer students the opportunity to increase their basic education grade level through the ABEDS self-paced learning system. VT centers are equipped with "learning centers" which have cassette and video players, small libraries and study areas. Like the ABEDS students, VT/BE students will take the MOE's standardized tests to determine their grade level and then develop a self-paced study plan utilizing the materials (cassettes, written materials, radio broadcasts, etc.) of the ABEDS component. The VT center instructors will serve as facilitators. Students will undertake studies in a trade as well as in basic education simultaneously.

e. Ongoing Technical Assistance Through An Endowment

Experience under the prior CADERH Project demonstrated the importance of continuing technical assistance and training for VT centers. After USAID funding for this activity ended in 1992, CADERH used its own funds to continue some technical and training assistance to these centers, but at a greatly reduced level. The final CADERH Project evaluation found a strong correlation between sharply reduced technical assistance and worsening drop-out and job placement rates. It is thus clear that CADERH must continue to provide ongoing assistance to the VT centers to help maintain the quality of their programs until Honduras develops a cadre of well-trained and experienced vocational training instructors and administrators. Yet CADERH cannot afford to continue financing technical assistance requirements for VT centers over the long-run without affecting its financial self-sufficiency. Moreover, the centers themselves lack the resources to pay CADERH for these services.

As a consequence, the Mission will establish, subject to USAID/W approval, a U.S. dollar endowment to assist CADERH in financing the costs of technical assistance, training and material support to VT centers. The \$600,000 endowment will be held and invested in the United States through a U.S. Asset Manager and will provide CADERH with annual installments to finance ongoing assistance to the VT centers. See Annex C, "Endowment Proposal", for further details on the expected operation of this endowment.

3. Component III: Policy Reform and Project Promotion (PRPP)

Under the project, about \$45,000 from the USAID contribution will be available to CADERH annually for research on education and training issues, and for technical assistance, observational travel, and publications to encourage policy reforms intended to improve the equity, efficiency and quality of education and training. An inter-institutional advisory committee will be established by CADERH to review and recommend proposals for small research awards. These policy studies will help the private and labor sectors, vocational training and education institutions, and the MOE focus on key issues related to basic education and vocational training (such as decentralization, financing and quality of education) and provide policy alternatives. These activities will be funded through the CADERH Cooperative Agreement.

USAID will also provide approximately \$12,000 annually to CADERH through the Cooperative Agreement over a five year period to disseminate information on project accomplishments and to promote project activities (such as the recruitment and training of volunteer facilitators) and to promote the participation of both genders as project beneficiaries. CADERH and USAID staff will work closely with the MOE/ABEDS PIU to carry out this activity effectively. Another \$3,000 annually will finance the administrative and logistical support expenses associated with this Component.

IV. Summary Cost Estimate and Financial Plan

The total project budget is \$15,849,000. Of this, USAID will contribute \$10,235,000, the GOH/MOE and ABEDS centers the local currency equivalent of \$2,730,000, and CADERH and the participating VT centers the equivalent of \$2,884,000 in cash and in-kind contributions. Another major input for the ABEDS Component, not included in this budget, will be approximately \$1,400,000 available under PEEP for ABEDS. These funds will be disbursed in FYs 1995 and 1996, i.e., through the extended PACD of PEEP of July 31, 1996.

**Illustrative BEST Project Budget
(US \$000s or equivalent)**

ITEM	All Components	Component I		Component II		TOTAL
	USAID	GOH	Sponsors	CADERH	NGOS	
Alternative Basic Education	\$4,425	\$1,805	\$925	\$0	\$0	\$7,155
VT Construction and Support	\$4,575	\$0	\$0	\$244	\$2,640	\$7,459
CADERH Endowment	\$600	\$0	\$0	\$0	\$0	\$600
Policy Reform & Promotion (Component III)	\$300	\$0	\$0	\$0	\$0	\$300
Evaluations and USAID Admin.	\$230	\$0	\$0	\$0	\$0	\$230
Audits	\$105	\$0	\$0	\$0	\$0	\$105
TOTAL	\$10,235	\$1,805	\$925	\$244	\$2,640	\$15,849

NOTE: This table summarizes the USAID and dollar equivalent counterpart contributions for the period 1995 through 1999. The Endowment Grant Agreement with CADERH, also under BEST, will have a 10 year life (1995-2004). The endowment itself will continue approximately through the year 2015.

V. Implementation Arrangements

A. Obligating Instruments

The BEST Project will be obligated through a bilateral Project Grant Agreement with the Government of Honduras' Ministry of Finance and Public Credit (MFPC) and the Ministry of Education (MOE). Only Component I of the Project (ABEDS), however, will be implemented on a bilateral basis by the MFPC and the MOE. The Project Grant Agreement with the GOH will have a life of five years.

Components II and III will be managed directly by USAID/Honduras and the implementing institution, CADERH, through a Handbook 13 Cooperative Agreement. USAID will exercise substantial involvement in the review of annual implementation plans and procurement plans, and in approval of research subgrants. Communications regarding annual implementation plans, budgets, and monitoring and evaluation plans of these two components will be handled through a *Cooperative Agreement Implementation Letter* signed by the USAID Mission Director and addressed to the authorized representative of CADERH. The CADERH Cooperative Agreement (a subobligation under the Project Grant Agreement) will have a life of five years.

The USAID Grant Officer will also obligate funds *directly* under a *separate* Endowment Grant Agreement with CADERH to establish a \$600,000 endowment fund. If approved by USAID/Washington, this Endowment Grant Agreement will have a life of ten years, to coincide with the authorized life of the BEST Project (December 2004). The endowment itself will continue approximately through the year 2015.

B. Implementing Agencies and their Responsibilities

1. USAID

The Education and Training Division of the Mission's Human Resources Development Office (HRD) will manage the BEST Project. A USDH Project Officer will be assigned overall responsibility for the project and will supervise a full-time Senior Technical Advisor assigned to the MOE (Component I), a Supervising Engineer for the construction and remodeling of training centers, and two FSNPSCs who will oversee daily project management activities. All personnel, with the exception of the USDH, will be project-funded.

2. GOH/Ministry of Education

The Ministry of Education will be responsible for the overall implementation of the ABEDS Project Component. The MOE will carry out this responsibility through the existing Project Implementation Unit (PIU) established for PEEP. This PIU will continue to report to the Vice Minister of Education. This unit will be responsible for planning, managing, and implementing the ABEDS Component, and will be physically located at the same site as the

PEEP Project facilities, utilizing PEEP office space, equipment, and vehicles previously procured with funds from the PEEP.

3. ABEDS and VT Centers

NGOs and selected municipalities will provide alternative basic education programs and/or vocational training under the project. ABEDS sponsors will have an agreement with the MOE's PIU. VT centers will have an agreement with CADERH for their vocational training efforts and with the MOE's PIU for their adult basic education programs.

4. CADERH

CADERH will be responsible for the overall management and implementation of the Vocational Training with Basic Education (VT/BE) and the Policy Reform and Project Promotion (PRPP) Components.

C. Procurement Arrangements

The authorized source, origin and nationality of goods and services procured under the BEST Project is the United States (000). Project-financed goods and services will be procured in accordance with relevant USAID Handbooks, USAID Acquisition Regulations, and the Federal Acquisition Regulations as applicable. Local procurement will be carried out in accordance with the procedures of Handbook 1B. In addition, the project will comply with the Agency's rules and procedures for Gray Amendment procurement.

VI. Information System and Evaluation Plan

A Management Information System (MIS) currently being developed under PEEP for the MOE's Division of Primary Education will be the basis for a similar MIS for the PIU and the Division of Adult Education. An information system will be developed by CADERH with the assistance of a USAID technical advisor. These systems will require that all participating institutions supply the same information in the same format. The BEST Project will be assessed on a semi-annual basis to ensure proper implementation and identify needed adjustments. A mid-term evaluation will be carried out of the ABEDS component at the end of the second year of the project (i.e., late in CY1997). A final external evaluation will be undertaken during the final year of the project with funding from the USAID contribution. USAID will contract for all evaluations.

VII. Relationship to USAID and Country Programs

As noted, BEST will contribute directly to USAID/Honduras' strategic objective of "enhanced economic participation and increased incomes of the poor" and its associated program outcome of "expanded access and opportunity through investment in people." BEST will expand access to high quality basic education and vocational training for out-of-school youth and young adults.

The GOH is committed to ABEDS and vocational training programs for poor Hondurans. GOH policy guidelines for education and the modernization of basic education clearly reflect an intention to provide increased education and training opportunities for the poor, to enhance collaboration between and the integration of the formal and nonformal education and training systems, and a commitment to establish alternative financing mechanisms for education and training.⁸ The GOH commitment is also reflected in the fact that the Ministry of Education has the largest budget among the nation's ministries. Moreover, the budget of the MOE's Division of Literacy and Adult Education, which has been small, was increased by over 40% in 1995.

USAID staff have coordinated closely with donors in the educational sector, such as the World Bank (IBRD), Inter-American Development Bank (IDB), and the Central American Bank for Economic Integration (CABEI). USAID and MOE strategies under BEST will be complemented by a 1995-2000 IBRD loan which will build upon the successes of the PEEP Project and focus on formal primary education (which remains the MOE's highest priority). The IDB loan is still in the planning stages, but appears likely to complement USAID-sponsored activities in education and training.

VIII. Analytical Considerations

The Project Design Committee conducted extensive analyses, including an Administrative Analysis, a Social Soundness Analysis, and a Technical Analysis, which concluded that the implementing institutions would be able to manage project activities, that the design was sound, and that the methodologies to be used were technically feasible. In addition, the Economic Analysis concluded that the project would provide high returns and the Financial Analysis that the project was financially feasible and sustainable over the long-term. A positive Environmental Threshold Decision was given by the USAID/W Environmental Officer, since there will be construction activities under Component II of BEST. USAID/Honduras' Environmental Officer will carry out the required Environmental Assessments. These analyses and the environmental determination are attached as annexes to this Project Paper.

⁸ See GOH, "Programa Nacional de Modernización de la Educación en Honduras" (Tegucigalpa: 1993/94); MOE, "Plan Nacional de Educación Básica Productiva para Jovenes y Adultos, Dr. Ramon Sosa 1994-2000" (1994); MOE, "Educación para Todos en el Año 2000 (1994); and MOE, "Convergencia Hacia el Nuevo Modelo Educativo: La Escuela Morazánica" (1994).

(522-0388)
LOGICAL FRAMEWORK

Project Title & Number: Basic Education and Skills Training (BEST)

Life of Project:
From FY 95 to FY 04
Total U.S. Funding: \$10,235,000

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
GOAL:			
Enhanced economic participation and increased incomes of the poor through investment in people.	Reduction in the percent of the populace living below the poverty line from 64.4% in 1993 to 60% by 2000.	Ministry of Planning Household Survey	Democratic and stable political environment. Continued commitment of the Executive Branch to basic education and training. Stable economic policy environment conducive to private sector growth, and to enhance trade and investment that will continue to create new job opportunities.
PROJECT PURPOSE:			
To expand access to high quality basic education and non-formal vocational training for out-of-school youth and young adults.	250,000 ABEDS graduates, of whom 50% will be women.	MOE statistics and Ministry of Planning Household Survey	Continuation of current education policies.
	150% increase over 1994 levels in the aggregate ABEDS standardized test scores by 1999.	MOE statistics	The MOE budget will remain at least 13.6% of the total budget of which at least 65% is for basic education (primary, secondary and adult education).

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
	12,600 certified VT graduates, of whom 30% will be women, by 1999.	CADERH statistics/reports	NGOs and municipalities are able to generate sufficient resources.
	\$30 million in additional earnings of ABEDS and VT graduates by 1999.	Ministry of Planning Household Survey, MOE and CADERH statistics.	The ABEDS portion of the MOE budget will increase over the LOP.
	80% employment rate among VT graduates by 1999.	CADERH statistics/reports and annual evaluation	CADERH will continue as a financially self-sustaining VT institution committed to support NGO and municipal training centers.

**I. ALTERNATIVE BASIC
EDUCATION DELIVERY
SYSTEM (ABEDS)**

OUTPUTS:

- | | | |
|--|---|---|
| <p>1. ABEDS curriculum developed and in use.</p> | <p>1. Nationwide ABEDS curriculum based on objectively measurable learning outcomes (Rendimientos Básicos) introduced at five levels (equivalent in scope and sequence to school grades 1-2, 3-4, and 5-6, 7-8 and 9 respectively).</p> | <p>MOE and Project monitoring reports</p> |
|--|---|---|

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PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
2. ABEDS instructional materials developed and in use.	2.a. Textbooks, workbooks, facilitator's guides and other educational materials based on Rendimientos Basicos - written, field-tested and approved for levels 1-5.	MOE and Project monitoring reports	
	2.b. Nation-wide RTAC-managed marketing and distribution system in place selling 1.0 million ABEDS textbooks by 2000.	Regional Center for Technical Assistance (RTACII) records	MOE will endorse and promote the RTAC distribution strategy.
	2.c. MOE managed distribution system providing 1.5 million ABEDS textbooks and educational materials for MOE managed ABEDS.	MOE and Project monitoring reports	
3. Criterion-referenced testing materials developed and in use.	3. Criterion-referenced standardized tests in place for five levels of ABEDS system in increasing number of selected target areas.	MOE and cooperating NGO and Municipality reports	
4. Alternative means of delivering basic education developed and in use.	4.a. Interactive radio lessons developed and introduced in Puerto Cortés and other selected target areas.	MOE and cooperating NGO and Municipality reports	
	4.b. Audio-cassette materials developed and distributed.	MOE and cooperating NGO and Municipality reports	

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
5. Models for municipal involvement and financing of ABEDS delivery fully developed.	5. New initiatives in place in Puerto Cortés and Omoa.	MOE and cooperating NGO and Municipality reports	
6. Nationwide training of ABEDS teacher trainers and volunteer facilitators.	6.a. ABEDS volunteer facilitator/promoter training program developed, introduced and expanded in selected target areas.	MOE and Project monitoring reports	
	6.b. 15,000 ABEDS volunteer facilitator/promoters trained nation-wide.	MOE statistics/sample survey	
7. ABEDS monitoring and evaluation system developed.	7. Management Information System in place to monitor quality, efficiency and access of ABEDS system.	MOE and Project monitoring reports	
II. <u>VOCATIONAL TRAINING WITH BASIC EDUCATION (VT/BE)</u>			
<u>OUTPUTS:</u>			
1. At least 15 additional VT Centers constructed/refurbished, fully equipped, staffed and operational, and at least 12 existing VT centers upgraded by 1999.	1.a. 15 additional and fully operational VT Centers/business incubators.	CADERH and USAID reports	
	1.b. 12 VT Centers upgraded.	CADERH and USAID reports	

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
2. Increased acceptance and use of competency-based training modules and trade certification.	2.a. 100,000 competency-based training modules printed and distributed. 2.b. Competency-based training modules for three additional trades fully developed.	CADERH and USAID reports	
3. Increased self-sufficiency of VT training centers.	3. NGOs and municipalities assuming all recurrent costs for VT operations.	CADERH and USAID reports	
4. Sustainable mechanism in place to provide assistance, training and trade certification services to VT centers.	4. US dollar endowment established.	USAID records	

**III. POLICY REFORM AND
PROJECT PROMOTION
(PRPP)**

OUTPUTS:

1. GOH and private sector policies developed in support of improved education and training.	1.a. Establishment of an inter-institutional committee of key individuals to promote educational policy reform.	CADERH and USAID reports	GOH willing to consider and enact appropriate policy reforms.
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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS/ COMMENTS
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	1.b. Establishment of a system of small grants for research, publications, observational travel, and technical assistance in support of educational policy reform.	CADERH and USAID reports	
2. Increased awareness and support of ABEDS and VT.	Implementation of annual advertising and promotional campaigns.	CADERH and USAID reports	

ANNEX B

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EXPANDED PROJECT DESCRIPTION

I. PROJECT RATIONALE

It has been amply demonstrated that **basic education**¹ and vocational training can reduce poverty among less educated and lower income sectors. Lower income students in Honduras, however, are less likely to complete primary or secondary education, because many youth of both genders must leave school to supplement the meager incomes of their families. The Honduran educational system, consequently, does not provide equitable opportunities for lower income sectors.

About half of the adult workforce (15–60 years of age) has not completed primary school. Less than 20% of the workforce has completed high school and enrollment rates in Honduras represent less than 35% of the 13–18 year old age group, as compared to about 50% for Latin America.² Post-secondary graduates represent only 2% of the 23 year old population and enrollments represent less than 10% of the university age population (19–23 years of age) as compared to 17% of the university age population for Latin America as a whole.³ Although vocational training can help compensate for many of the inequities and inefficiencies of formal academic schools, vocational training opportunities in Honduras are limited. Moreover, lower income sectors often lack the academic requisites for enrolling in available vocational training programs.

It is evident that additional investments in education and training are required, but the Government of Honduras (GOH) will not be able to provide additional teachers, facilities and funding at sufficient levels to achieve the necessary increases in enrollments at all levels of the basic, post-secondary, and vocational education systems simultaneously. While the Ministry of Education (MOE) has the largest budget among the nation's ministries,⁴ it is nevertheless insufficient. Virtually all of this budget (97%) goes to salaries.

The Ministry of Education recognizes the need for an educational "second chance" but the Ministry's Division of Literacy and Adult Education has lacked the resources to provide basic education to out-of-school youth and adults. Adult education programs have been limited in reach, traditional in their methodological conception, and inadequately funded with less than

¹ **Basic education** is defined by USAID as primary education, secondary education and adult literacy training.

² For regional data see Norman Rifkin, "Education and Human Resources Development in Latin America and the Caribbean: Problems and Perspectives for the Nineties" (Washington, D.C.: USAID/LAC/DR/EHR, 1993).

³ Ibid.

⁴ The 1993 MOE budget was L791,660,496 (\$131,943,410), representing 13.6% of the total GOH budget for 1993.

1% of the Ministry's total budget. Conventional night classes are usually offered in urban areas and reach about 30,000 people, but this represents only 1.5% of the potential target population of people between the ages of 15 and 65 who have not yet gone beyond the fourth grade of primary school.

The Basic Education and Skills Training (BEST) Project will respond to these constraints and provide mechanisms to accelerate the integration of lower income, out-of-school youth and young adults into the economic life of Honduras with minimal costs for the GOH.

Component I of the project will build upon USAID's experimental efforts with the MOE under the Primary Education Efficiency Project (PEEP 522-0273) to develop an **Alternative Basic Education Delivery System (ABEDS)** that will reach an increasing number of out-of-school youth and adults with high quality basic education. Approximately 250,000 ABEDS graduates (50% female)⁵ will increase their earnings potential by \$20 million over the project life.⁶

Component II, Vocational Training with Basic Education (VT/BE), will build upon the successes of the Advisory Council for Human Resources Development Project (522-0257) by expanding a network of 16 nonprofit, vocational training centers managed by NGOs and municipalities to at least 27 centers. The "Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras" (CADERH) will help NGOs and municipalities construct or rebuild training centers, equip them, and expand the use of competency based training materials. By the end of 1999, it is estimated that these centers will have trained at least 12,600 out-of-school youth and adults (35% female and 65% male) and generated income increases of over \$10 million over the life of the project.⁷ The VT Centers will also provide basic education through the Alternative Basic Education Delivery System coordinated by the MOE.

⁵ Interestingly, more women than men complete primary school in Honduras. Researchers speculate that since female incomes are lower than men who have the same educational level, women will try to ensure higher incomes by increasing their educational levels. The most significant differences in male and female incomes are found among the population of women with a primary school education or less. Incomes are 49% lower for females who have not attended school than for males who have had no schooling; 38% lower for females with grades 1 through 4 of primary school; 33% lower for females with grades 5 through 6 of primary school; 18% lower for females with a middle school education; 15% lower for females with 10 to 14 years of school; and, 27% lower for females with post-secondary education. See the Planning Secretariat's (SECPLAN) Semi-Annual Household Surveys for the gender, income, and education level data cited above.

⁶ Calculated on the basis of a \$95 increase in earnings for graduates on each of the five levels of ABEDS and the percentages of females and males (ages 10-60) who are economically active (20% females and 45% males). (See SECPLAN Household Surveys).

⁷ Based on annual income increases of \$440 and 80% job placement rates, taken from data on CADERH/USAID follow-on studies of VT graduates.

Component III, Policy Reform and Project Promotion (PRPP) will assist in policy dialogue in the education and training sectors, promote the participation of women in adult education and encourage acceptance and support for ABEDS and vocational training.

The three components of the project will be complementary. Self-paced learning materials and a basic education testing system developed by Component I for adult education will also be used by the project's vocational training network (Component II) to provide basic instruction in Spanish, mathematics, social studies and science. Also, Component I participants will gain increased access to higher level vocational training by meeting the basic education requisites required to enroll in training programs. In addition, curricular materials from Component II will be available for the MOE's formal training system and other nonformal training institutions, and Component III will build upon the advances of the project to promote additional policy reforms in education and training.

The project's ABEDS and VT/BE components will be based on an "Open-Entry/Open Exit" strategy. Students and trainees will enter and exit basic education and vocational training programs based on their own individual learning and employment needs, with minimum learning competencies (for basic education) and trade certification competencies (for vocational training) used to provide specific entrance/exit standards. The strategy will provide "life-long learning" opportunities for out-of-school young people and adults to receive literacy training, return to school to complete basic education degrees, and receive vocational training for employment and skill upgrading. During the project life, participants will be encouraged to obtain additional basic education and/or vocational training following a "career ladder" approach, returning for additional basic education and training based on career needs and expectations.

II. GOAL, PURPOSE AND END-OF-PROJECT STATUS

A. Goal and Purpose

The goal of the BEST Project will be to enhance the economic participation and increase the incomes of the poor through investment in people. This goal is synonymous with USAID/Honduras' Strategic Objective No. 1 and its Program Outcome 1.3. Its purpose will be to expand access to high quality basic education and vocational training for out-of-school youth and young adults.

B. End-of-Project Status

By the end of five years, the BEST Project will have accomplished the following results:

- ◆ 250,000 ABEDS graduates (50% female) from the five primary and secondary levels through a flexible basic education system offered by the MOE, 24 NGOs and up to 12 municipalities;

- ◆ 150% increase over 1994 levels in the aggregate ABEDS standardized test scores;
- ◆ 12,600 certified non-vocational training graduates (30% female) through a minimum of 27 vocational training centers;
- ◆ \$30 million in additional annual earnings of ABEDS and VT graduates; and
- ◆ 80% employment rate of VT graduates.

III. PROJECT DESCRIPTION

A. Component I: Alternative Basic Education Delivery System (ABEDS)

Under the BEST Project, the MOE's basic education program for adults will be strengthened and expanded. The program will reach up to 250,000 out-of-school youth and young adults (50% female).

1. Strategic Approach

The strategies to be employed to create an expanded high quality and more flexible system for basic education for out-of-school youth and adults are based on successful approaches employed in USAID's Primary Education Efficiency Project (PEEP), and on empirical evidence from a comprehensive review of successful experiences from various parts of the world.⁸

a. Building on the PEEP Project Experience

Since initiation of the Primary Education Efficiency Project in 1986, the number of children completing the sixth grade has increased by 57%, with significant reductions in dropout and repetition rates of 32% and 26%, respectively. Achieving increased numbers of primary school graduates has favored children from lower income sectors, and increases in earnings potential as a consequence of having completed primary school should exceed \$20 million

⁸ Education Development Center (EDC), "Delivering Basic Education Through Alternative Means: Lessons Learned and Literature Review" (Washington, D.C.: Report Prepared for the USAID/Honduras; Contract Number 522-9105-C-00-3475-00; 1994).

annually for these children as they enter the labor force.⁹ Additionally PEEP has improved the efficiency, quality and cost effectiveness of primary education in Honduras through its activities in gender-sensitive textbook writing, printing and distribution; in-service teacher training; educational research; computerized management information systems (MIS); testing and evaluations; and school construction. USAID and the MOE will draw upon the expertise of the staff of PEEP to implement BEST. The ABEDS Project Implementation Unit (PIU) will be staffed with former PEEP project personnel and physically located, with the staff of the MOE's Adult Education Division, in the current headquarters of the PEEP PIU.

The ABEDS Component will build on the experimental efforts in the use of Interactive Radio Instruction (IRI) begun under PEEP. Some of the IRI programming will also be based on the recorded and printed materials developed by USAID's regional LearnTech Project. These materials have been field-tested and validated, and with some revision, these programs will provide an effective means of delivery. Other media such as audio-cassettes, graphic materials, and flip charts will also be developed by the PIU to complement and facilitate instruction.¹⁰

The ABEDS Component will also be guided by MOE initiatives in educational policy and planning, which are providing new paradigms for Honduran education based on four principal themes:

- ◆ the Ministry must decentralize;
- ◆ the educational system must offer equal opportunity to all through alternatives to conventional schooling;
- ◆ the current goals and methods of teacher training must be modified; and
- ◆ education must become more oriented toward productive work.¹¹

⁹ Calculations based on the increased number of primary school graduates, male and female participation in the labor force, and the increased incomes associated with having completed primary school. See SECPLAN Household Surveys.

¹⁰ Complementary media have been identified as another key element for success with alternative education delivery system; see EDC, Op.Cit.

¹¹ Armando Euceda (Vice Minister for Technical Affairs), "Educación para Todos en el Año 2000: ¿Se Puede? ¿Como?" (Tegucigalpa: Ministerio de Educación Pública, 1994).

b. Building on Successes from Other Countries

i. The Decentralization Theme

Decentralization and community involvement have been noted as key elements for successful ABEDS by a recent review of experiences of alternative systems throughout the world.¹² Decentralization has normally entailed the participation of the municipal government. Work with municipalities offers two advantages: (1) a substantial degree of decentralization of authority; and (2) a firm commitment to community involvement through active participation and financial support.

Under the project, the MOE will enlist the cooperation and collaboration of non-governmental organizations (NGOs), municipalities and employers to expand and help finance basic education opportunities. The MOE will provide printed materials, standardized testing procedures and other pedagogical services to adult education organizations, provided that the organization will base its instruction on the MOE's new curricular guidelines, instructional materials, and standardized testing system. Most of the NGOs working in alternative basic education are isolated from each other, but under the coordination of the MOE, there will be greater sharing of ideas, materials and methods among these entities.

ii. Open-Entry/Open-Exit System

The review of the literature also suggests that alternative basic education systems must be fair, success-oriented, based on reasonable criteria, equitable, and designed to match the learning capacities of students. Many of the young adults who want to complete their basic education have tried formal schooling once or twice, and many have failed for various reasons. The young learner who is coming back for a second try, or perhaps even for a first try, must feel that he or she can succeed in this new learning environment. The system must offer support and encouragement rather than seemingly insurmountable obstacles to success.

The creation of a unified "open-entry/open-exit" system of adult education, with standardized testing procedures, will offer all students a fair and democratic opportunity to enter the system at times of their choosing, leave it for awhile if necessary, and to be examined based on objective assessments of their abilities.

Flexible systems of this nature facilitate life-long learning among participants, encouraging them to constantly improve their educational and skill levels and ultimately their job prospects.

¹² Educational systems seen as central government operations, or as irrelevant to community needs are more likely to fail than systems that respect the culture of the community. None of the successful alternatives reviewed were managed through the main channels of the Ministry of Education. Instead, management rests with autonomous organizations, non-governmental organizations, or decentralized agencies within the Ministry. See EDC, Op.Cit.

2. Component I Activities

The Alternative Basic Education (ABEDS) Component will build upon the MOE's adult education program, which utilizes interactive radio programming, texts and workbooks, and volunteer monitors (50% female). Through ABEDS, the MOE will make a special effort to reach disadvantaged rural populations and unemployed youth, with a particular focus on young people between the ages of 15 and 29. There will be no discrimination, or perception of discrimination, toward students based on gender, race or economic status.

ABEDS will offer a flexible adult education system to all who seek a "second chance," and will respond to needs of students by providing a variety of learning sites, times for study, times for educational radio broadcasting, and methods of testing and examinations. ABEDS adult education centers will have at least one facilitator, be equipped with "learning spaces," and have access to MOE educational materials and standardized tests. Students will take an entry exam to determine their grade level and develop with the facilitator a self-paced basic education program. Once the program is completed, students will take another standardized test to determine if they have passed to the next level. If they have, the MOE will issue an official diploma.

The MOE will serve as the principal coordinator of activities under this component through its ABEDS Project Implementation Unit (PIU). The MOE will be working with its own adult education centers as well as enlisting the support of 24 NGOs and up to 12 municipalities in this effort. The MOE will sign agreements of understanding with these ABEDS sponsors.

Specific project activities for Component I will include: (a) gender-sensitive Curriculum Development; (b) Production and Distribution of Instructional Materials; (c) Criterion-Referenced Testing; and (d) Development of gender-sensitive Radio Programs and Educational Cassettes; and e) Volunteer Facilitators.

a. Curriculum Development

The curriculum for ABEDS will consist of five cycles: Cycle One is equivalent in scope and sequence to the first two grades of primary school; Cycle Two is equivalent to grades three and four; Cycle Three is equivalent to Grades five and six, and Cycles Four and Five are the equivalent of grades seven through nine.

The curriculum will be based on the general objectives for adult basic education as outlined in the MOE's "National Plan for the Basic Education of Youth and Adults." More specific learning objectives will be based on the MOE's minimum learning objectives (*Rendimientos Básicos*) for grades 1-9. The *Rendimientos Básicos* are objectively measurable learning outcomes developed by the MOE and form the theoretical and practical basis of the curriculum for primary education and grades seven through nine of middle school (*Ciclo Común*). Teachers are expected to teach and evaluate students on the basis of these objectives. Adult learners under the BEST Project will also study within a program that will

be guided by similar principles.

The *Rendimientos Básicos* will be adapted by PIU staff to serve the needs of adult learners and will:

- ◆ orient the planning and evaluation of the entire program of adult basic education;
- ◆ democratize the system by giving all students criterion-referenced tests based on specific indicators for evaluation;
- ◆ provide uniform standards for the guidance of all who will serve as facilitators or teachers.

The PEEP Project has produced gender-sensitive textbooks, teacher's guides and self-paced instructional materials in Spanish, Mathematics, Natural Science and Social Studies for the six grades of Primary School based on the *Rendimientos Básicos*. Under ABEDS the textbooks, workbooks, facilitator's guides, other pedagogical materials from PEEP and other sources will be modified by ABEDS staff to meet the needs of out-of-school youth and adults. The materials will be published with appropriate language for each level, using appropriate illustrations, examples and references, and will be prepared for utilization by all of the MOE's current and future ABEDS programs (night classes, literacy and basic skill training, and radio learning). The materials will contain an appropriate balance between urban and rural values, and models of behavior, and will acknowledge the ethnic differences that are present in Honduras.

Gender-sensitive educational materials will be prepared by ABEDS staff and specialists in adult education from the MOE's Division of Literacy and Adult Education, with technical assistance provided by USAID. The *Rendimientos Básicos* will provide theoretical guidelines, but other materials used successfully under PEEP by churches and other organizations that have sponsored adult education programs will also be utilized. The result will be well-grounded and stimulating educational materials prepared for utilization by all of the MOE's ABEDS sponsors, making use of the best ideas from a wide variety of sources.

b. Production and Distribution of Instructional Materials

ABEDS staff will edit instructional materials and print them through competitively-bid contracts with private sector businesses. The initial MOE distribution of educational materials will be for the MOE's immediate use, with the balance distributed by the Regional Center for Technical Assistance ("CENTRO RTAC-II"). RTAC will subsequently sell the materials to the Ministry and other entities. Those municipalities which take an active role in promoting and supporting basic adult education will also be able to buy the books directly from RTAC. Since RTAC permits its collaborators to sell books at a 5% to 20% mark-up, the municipalities and NGOs will have financial incentives to participate in the distribution of

these materials.

In addition, these educational materials will be available to private, for-profit, educational institutions, and to the general public through bookstores, news stands and other retail outlets. It is also anticipated that private enterprises may subsidize the cost of books for poorer students and their employees.¹³ The use of the RTAC II distribution system will:

- ◆ provide a proven and reliable method of national distribution based on the RTAC's experience in distributing educational materials to institutions of higher learning;
- ◆ give municipalities and NGOs an additional incentive to sponsor ABEDS and recruit students;
- ◆ provide an indicator of consumer demand for the materials; and
- ◆ shift some of the burden of financing the recurrent costs from the MOE to participants, private enterprises and other entities.

c. Criterion-Referenced Testing

Under the PEEP Project, the MOE developed considerable expertise in the design and application of standardized criterion-referenced testing instruments. A computerized test bank will be utilized by ABEDS staff to generate similar testing instruments for use by ABEDS in a criterion-referenced testing system. This system will be adapted and implemented by the MOE during the first year of the BEST Project.

The testing system will allow students to enter different levels of the program based on their respective levels of competency. Out-of-school youth need flexibility in the rate at which they progress. Criterion-referenced testing will complement the "open-entry/open-exit" strategies of the alternative basic delivery systems. Throughout the participants' various periods of study, students will have access to sample test items, and provisions will be made to administer "no-penalty" tests (i.e., not officially graded) as a means of self-diagnosis. At the completion of each cycle, students will be tested to measure their understanding of materials and concepts rather than their capacity to memorize facts. In a more supportive and encouraging environment, students will have increased probabilities of passing the MOE's official tests and graduating from primary and middle school. Criterion-referenced testing also provides a cost-effective system of student placement based on the demonstrated mastery of learning objectives. In summary, a criterion-referenced testing system offers:

- ◆ an opportunity for students to make informed choices about their own

¹³ Under a USAID/Honduras contract, thirty representative municipalities, employers and NGOs were interviewed by the Education Development Center. All the entities interviewed expressed interest in participating in ABEDS.

educational needs while encouraging "life-long learning" and a more flexible "open-entry/open-exit" system for participants;

- ◆ a universal and verifiable standard of performance, objectivity, and fairness in measuring student accomplishment; and
- ◆ a mechanism whereby out-of-school youth and adults can achieve certification and obtain diplomas for basic education studies.

d. Development of Radio Programs and Educational Cassettes

ABEDS PIU staff will utilize a variety of delivery strategies including traditional night classes and Interactive Radio Instruction (IRI) to reach both men and women. Radio broadcasting, whether on a national, regional, or local level has demonstrated its effectiveness in reaching learners who prefer to study at home, as well as formally organized listening groups with "facilitators." The PIU will build upon the experiences of the PEEP Project by revising and improving the IRI programming already underway. ABEDS staff will also explore other gender-sensitive, innovative and cost-effective methods of delivering basic education to out-of school youth and adults to help young people complete basic education on their own terms.

The Ministry will explore the feasibility and cost-effectiveness of buying blocks of time from local radio stations to test the impact and cost-effectiveness of using local radio, rather than the national broadcasting system. The advantage of using local radio is that local stations can probably make more time available for educational purposes, thus permitting repeated transmissions of programs. Also, local stations can "localize" the programs by writing brief introductions and follow-ups to the programs that address learners as integral members of the community.

ABEDS staff will also prepare sets of audio-cassettes, based on revised, gender-sensitive and more challenging versions of the content previously developed by PEEP. Cassettes will allow students to listen to the materials repeatedly and at their convenience. Cassettes will also be used by the vocational training centers, municipalities and other entities which could make them available on a loan or rental basis, and may be purchased by other adult education entities, employers, and private enterprises.

e. Training of Volunteer Facilitators

Key to the success of this component will be the recruitment and support of approximately 15,000 volunteer facilitators (50% female) to work within their communities to help out-of-school youth and young adults. To use these volunteers effectively, the PIU will draw on the

previous work by the MOE and the PEEP Project in utilizing similar volunteer facilitators.¹⁴ The use of volunteer facilitators, rather than traditional teachers, has allowed the MOE and NGOs to expand adult education programs with good results, while budgetary constraints would have precluded the contracting of additional teachers. The Project will also promote the participation of over 3,000 USAID Peace Scholars (48% female) and U.S. Peace Corps volunteers as facilitators. Peace Corps has expressed interest in continuing its involvement with basic education.

While the MOE and other ABEDS sponsors generally will not pay facilitators more than token amounts¹⁵, the PIU staff will ensure that appropriate public recognition is given to these volunteers. Promotional activities initiated under Component III will also encourage others to participate.

The 15,000 volunteer facilitators will be trained by the MOE using a training of trainers strategy. Facilitators will not be "teachers," (i.e., figures of authority, dominant sources of information, having control over the learning situation, and the final judge of student success or failure). Rather, their role will be to help learners with their questions, to "facilitate" discussion, and to make the learning environment as supportive and productive as possible.

Volunteer facilitators will be required to have at least a primary education and a dedication and willingness to serve the needs of others. Facilitators will be trained by a corps of specially selected MOE employees (and personnel from other entities) who will receive their initial training under the Honduran Peace Scholarship (HOPS) program in modern methods of teaching, motivation, the evaluation of adult learners, and in the utilization of educational materials and resources.

Subsequent training of trainers will reinforce the initial training provided through HOPS, strengthened through feedback on the effectiveness of the methods and materials, and the value of prior training.¹⁶ It is anticipated that beginning in 1996, many of the initial facilitators may also become salaried trainers paid by the MOE.¹⁷

In choosing Peace Scholarship recipients who will receive training as trainers of trainers, and in the subsequent training of trainers, the MOE will make a special effort to recruit women.

¹⁴ NGO and MOE adult education programs depend a great deal on "volunteer facilitators." NGOs and the MOE have recruited and trained several thousand volunteer facilitators over the past several years.

¹⁵ The MOE currently pays a token wage to over a thousand volunteer facilitators (\$12 per month and/or payment in-kind through food assistance made available by the European Union).

¹⁶ See EDC, Op. Cit., for a discussion on the importance of providing appropriate motivation and follow-on training for the trainers of facilitators and for facilitators.

¹⁷ There is ample evidence that well-trained practitioners, who are willing to share their successes and failures with others, can become excellent trainers (see EDC, Op.cit.) .

While adult education participants are about equally divided among men and women, only about 25% to 30% of the facilitators and instructors are females. MOE staff will encourage equal opportunity for women as an integral part of the basic education curriculum, in accordance with MOE directives.¹⁸

The training program will also draw from the expertise of people working with NGOs in adult education. Trainers from these organizations will, with the approval of the MOE, be called upon to offer training for volunteer facilitators who will be working closely with municipalities in establishing new learning groups.

3. Implementation Arrangements

a. Staffing and Technical Assistance

The Director of the ABEDS component will be the MOE's Vice Minister of Technical Affairs. Key technical and administrative personnel from PEEP will be recruited to join the ABEDS PIU and administer the component, develop curricula and instructional materials, implement the criterion referenced testing system, train trainers, develop and coordinate logistical support mechanisms with NGOs and selected municipalities sponsoring ABEDS, and implement a management information system. These personnel will complement MOE personnel in the Division of Adult Education who will be responsible for the general implementation of the Project with ABEDS sponsors.

Technical assistance will be limited to a full-time Senior Technical Advisor funded by USAID with BEST grant funds for the life of the project and short-term advisors contracted for specific tasks during project implementation. This Senior Technical Advisor will assist the MOE in initiating project implementation, conducting semi-annual assessments of the component, and assist USAID and the MOE in monitoring progress and making adjustments in implementation strategies as required. The BEST Project will finance 48 person-months of long term technical assistance and approximately 10 person months of short-term technical assistance. Short term consultants will assist the ABEDS Project staff in the following areas: evaluations of educational materials and gender-sensitivity, IRI and delivery systems; software development for the ABEDS management information system; and related areas where project personnel may require outside assistance.

b. Management Information System

PEEP has developed a management information system (MIS) for the MOE's Division of Primary Education. A similar MIS will be developed for the Division of Adult Education. For further details, see Annex G: "Information and Evaluation Plan."

¹⁸ See Ministerio de Educación Pública, Op.Cit.

c. **NGOs and Municipalities**

The NGOs and selected municipalities that become sponsors of ABEDS will sign an agreement with the MOE which will specify the conditions of participation and the rights and responsibilities of each of the parties.

4. Sustainability of Component I Activities

The MOE's adult education programs have been severely underfunded, resulting in minimal coverage among the target population and poor educational quality. To reach significant numbers of students, financial responsibility for ABEDS will be shared with NGOs, municipalities, employers, participants and other entities. These groups will finance the costs of facilitators, promoters and ABEDS supervisors, while the MOE will initially provide educational materials, cassettes and radio programs. After a year or two, USAID and the GOH expect that the costs for materials, cassettes and radio programs will be assumed by NGOs, municipalities, employers and other entities sponsoring ABEDS. The MOE will provide ongoing support for ABEDS training of facilitators, promoters and supervisors, provide technical assistance to the sponsors of ABEDS, and administer a criterion-referenced standardized testing system with nationally recognized diplomas. This continued MOE support will help ensure economies of scale as well as increased efficiency and quality of programs.

The success of the ABEDS program will hinge on the substantial support of many NGOs and municipalities to help finance these activities. There are currently some 35 NGOs that have been involved in adult education, many of which have already invested considerable human and financial resources in training facilitators for their own programs in adult education. Statistics from a sampling of these programs indicate that annual recurrent costs run around \$20,000. Given the relatively low cost of these programs and the ability of NGOs to access funding from churches and other donors, USAID and the MOE anticipate that approximately 24 NGOs will participate as sponsors of ABEDS under the project, and that these NGOs will fund the recurrent costs of their adult education efforts from their own resources.

The participation of municipalities in adult education has been less common than that of the NGOs, who have traditionally been the primary sponsors of adult education outside of the MOE. There is considerable interest, however, among municipalities in the possibility of offering ABEDS programs. Yet, given their relative inexperience and funding limitations, it may be more difficult for them to become involved as direct providers of adult programs. Municipalities may, however, be able to participate *indirectly* by cost-sharing with NGOs (such as by donating municipal land or providing meeting room space), or subcontracting management of adult education programs to local NGOs. Other municipalities, like Puerto Cortés and Omoa have already secured funding for adult education programs and will become *direct* providers. Under BEST, it will be possible to experiment with different modalities for municipality-sponsored adult education. USAID expects that up to 12 municipalities will

participate as sponsors of ABEDS under the project.

B. Component II: Vocational Training with Basic Education (VT/BE)

1. Overview

This component will be implemented by a USAID-registered non-profit PVO, the "Centro Asesor para el Desarrollo de los Recursos Humanos" (CADERH). CADERH's participation in the component is critical given the excellent results under a previous project with CADERH which built, remodeled and equipped sixteen NGO and municipal training centers; trained instructors and administrative personnel for the centers; and established one of the most cost-effective and responsive VT systems in the region, with job placement and retention rates which averaged 87% and 90%, respectively,¹⁹ and with about 20% female participation.

CADERH will provide 12 existing CADERH-affiliated VT centers a modest level of financing for equipment and facility upgrading, ABEDS materials, and updated competency based training materials. Each center will also receive ongoing technical assistance and training for personnel, trade certification exams and job placement assistance for male and female graduates, while the sponsoring NGOs and municipalities continue to finance the recurrent costs of training. In addition, CADERH will sign agreements with 15 NGOs and municipalities to establish new vocational training centers. These entities must have demonstrated the capacity to manage and implement education and development activities and to fund the recurrent cost of those activities. The new training centers will receive funding for building construction and equipment, educational materials and trade certification tests, in addition to technical assistance and training from CADERH, during the life of the project and thereafter, to maintain and improve the efficiency, quality and cost-effectiveness of vocational training.

Under this component, vocational skills training will be imparted to 12,600 youth and adults in 27 training centers throughout Honduras, with at least 30% of the beneficiaries being female.

2. Strategic Approach

a. Vocational Training will be "Nonformal"

USAID has focused on investments in **nonformal** vocational training (NVT) over the past

¹⁹ See Devres Inc., "Final Evaluation of the Honduran Advisory Council for Human Resource Development: Project No. 522-0257" (Bethesda: Devres Inc./USAID/CADERH, 1994).

decade.²⁰ While **formal** vocational training (FVT) systems often function very well in more developed countries, it has inherent limitations for many less developed countries.²¹ FVT requires a primary education degree to study at the middle school level, a middle school degree to enroll at the secondary level, and a high school diploma for studies at the post-secondary level. These are not realistic requisites to become a welder, seamstress, carpenter, or mechanic when half the Honduran workforce has not completed primary school and less than 20% has completed secondary education.

NVT has been more flexible in focusing on the specific training needs of people who cannot complete primary education, secondary school, or university studies, by allowing them to focus on learning a specific trade. NVT has also demonstrated its ability to increase the productivity and incomes of less educated and less privileged sectors of society, while providing more immediate and higher returns on investment than formal academic schooling.²²

b. Basic Education While Learning a Trade

While NVT has been more flexible for meeting training needs in Honduras, the segregation of the Honduran vocational training system into nonformal and formal sub-systems is inequitable, as it often relegates the lowest income students to NVT because they lack the academic requisites for FVT. Similarly, the instruction received in current VT centers also has inherent limitations because of the limited academic skills of trainees. For these reasons, vocational training reaches only 6% of the unemployed and underemployed, and less than 2% of the potential workforce.²³

In an effort to improve the effectiveness of vocational training, VT centers under the BEST Project will introduce basic education into their curriculum. Participants will have expanded

²⁰ **Nonformal** training does not require a primary or secondary degree, does not provide credentials for subsequent academic studies, and only focuses on the training required to obtain employment or upgrade skills to increase productivity.

²¹ **Formal** vocational training includes vocational middle schools and high schools, and post-secondary institutions.

²² See Gary Russell, "Creating a High-Quality Work Force for Sustainable Economic Development in Latin America and the Caribbean" (Washington, D.C.: USAID/LAC/DR/EHR, 1993) for regional experiences. NVT centers assisted by USAID/CADERH (522-0257) provide 12 to 24 months of training for young people who have not attended secondary schools (many have not completed primary school). Graduates received an average annual income increase of \$1,000 as a consequence of their training. A high school graduate also receives an annual income which is about \$1,000 higher than the average income of a primary school graduate, but a high school education requires six years of additional studies as compared to 12-24 months for NVT.

²³ Vocational education institutions produce about 45,000 graduates annually; over 700,000 people are unemployed or underemployed (45% of the economically active population); with a potential workforce of 2,800,000 in 1994.

access to basic education, at the specific levels required by each participant, while at the same time learning a trade. Participants will define their respective goals for basic education each quarter with their instructors based on learning capabilities and needs, and proceed at self-paced rates to meet these goals. In this manner, and unlike more traditional FVT programs, weak academic skills will not preclude a participant from completing technical training, learning a trade, and obtaining employment. VT center staff will also instill the concept of "life-long learning" among participants in order to encourage the continued career advancement of graduates in their respective technical areas.

By integrating vocational training with basic education, participants will improve their opportunities for future employment and be better prepared for subsequent studies in basic education and skills upgrading in accordance with their career expectations and the future needs of the economy.

c. A Hands-On Approach: Junior Achievement and Business Incubators

Many graduates from VT centers begin their own small businesses. While these individuals have few difficulties with the technical aspects of their respective trades, they often find themselves lacking the business skills needed for success. In the VT centers, business training will be introduced based on a system similar to the U.S. Junior Achievement program ("Empresarios Juveniles"), through which groups of students form businesses for a period of several months and "learn by doing," under the guidance of their instructors, CADERH personnel and volunteers from the local business community. This not only helps the individuals strengthen their technical skills, but also introduces them to the other skills required for a successful business operation: marketing, finance and management. The Junior Achievement-like program has been successfully implemented in secondary schools in Honduras and, with minor modifications, will be utilized by VT centers.

"Business incubators" have been successful elements of vocational training systems in the U.S. for several decades. Business incubators assist new entrepreneurs to establish small businesses in a supportive, low-cost environment. Some of the VT centers under the project will establish business incubator programs to assist graduates to get a head start. VT centers requiring financing to establish such a program may apply to CADERH for funding. CADERH will review such applications based upon the same criteria for which it reviews applications for trade certification programs. However, business incubators assisted by CADERH must agree to offer nonformal vocational training and basic education, and must be able to demonstrate the potential for job placement levels which are equal or higher than other training centers.

d. Open-Entry/Open-Exit

As with Component I, an open-entry and open-exit system will be used to allow trainees to enter, exit, and return to VT and basic education based on their individual learning and

employment needs. With this approach, young people and adults will be able to continue their technical studies to meet their respective career needs. The criterion referenced testing system utilized by Component I and the trade certification competencies previously developed by the CADERH Project will provide specific entrance/exit standards for the open-entry/open-exit system.

3. Component II Activities

The activities envisioned under this Component include:

a. Construction and Physical Upgrading of Fifteen New VT Centers and Business Incubators

CADERH will use BEST Project resources to finance the establishment of new VT and Business Incubator programs of 15 NGOs and municipalities. The average investment for building or expanding, and fully equipping each training center will be approximately \$200,000. Training centers will be constructed with adobe and will share the same basic modular design, with modular plans developed and approved by USAID.²⁴ Any deviations from these plans will require the written approval of USAID. The option of using cement blocks or brick construction will also be available, with USAID approval, for remodeling training centers. Construction activities will be carried out by CADERH contracted teams under the guidance of a USAID Supervising Engineer.²⁵

Each training center will receive from CADERH appropriate shop equipment and materials, VT and ABEDS educational materials, and audio visual equipment. The training materials developed under the prior CADERH Project will be updated by CADERH staff. Additional instructional materials for new trades (tourism, food processing, electronics, industrial maintenance, etc.) will also be developed by CADERH.

Twenty-six NGOs and municipalities have expressed interest in establishing and/or expanding training centers. These include:

- Congregación María Auxiliadora; Santa Rosa de Copán
- Iglesia Católica; Campamento, Olancho
- Iglesia Católica; San Marcos de Colón, Choluteca

²⁴ Adobe construction techniques, community involvement in construction, including female construction teams, and the execution of construction activities under the administration of the grantee resulted in savings of approximately 60% for constructing primary schools under PEEP, as compared to constructing classrooms with bricks or cement blocks.

²⁵ CADERH's management of construction resulted in savings of about 25% under Project No. 522-0257. Under this arrangement CADERH will purchase construction materials, assure that construction materials are at the building site as required, and contract labor for construction. A procurement plan will be approved by USAID prior to the use of grant funds for this activity.

- Asociación de Instituciones Evangélicas; San Pedro Sula
- Gerentes y Empresarios Asociados de Honduras; San Pedro Sula
- SITRATERCO; La Lima, Cortés
- Congregación Jesuita; El Progreso, Yoro
- Asociación Evangélica para el Desarrollo; Choloma, Cortés
- Baptist Mission; Sula, Santa Bárbara
- Iglesia Católica; Morocelí, El Paraíso
- Municipality of San Pedro Sula, Cortés
- Municipality of Ocotepeque, Ocotepeque
- Municipality of Intibucá, Intibucá
- Municipality of Villanueva, Cortés
- Municipality of San Lorenzo, Valle
- Municipality of Puerto Cortés, Cortés
- Municipality of Choloma, Cortés
- Municipality of Trujillo, Gracias a Dios
- Moravian Mission; Brus Laguna, Gracias a Dios
- Fundación Norma Ilove; Mocerón, Gracias a Dios
- Iglesia Católica; Wampusirpe, Gracias a Dios
- Aldeas S.O.S.; Tegucigalpa, D.C.
- Municipality of Dulce Nombre de Culmí, Olancho
- Baptist Mission; Taulabé, Comayagua
- Fundación Polígono Industrial; Santa Rosa de Copán *
- Universidad Tecnológica Centroamericana, Tegucigalpa *

* Note: These institutions are proposing that training be provided by "business incubators."

CADERH will undertake the following process to select subgrants with NGOs and municipalities to build and equip VT centers:

- (1) CADERH will provide annual seminars for NGOs and municipalities to explain the goals of the project, the conditions and selection criteria for subgrants, and provide orientation for preparing proposals;
- (2) CADERH's staff will review and approve proposals for consideration for financing based on the following conditions:
 - (a) municipalities will be required to establish a partnership with an NGO which will manage the training center;
 - (b) NGOs will require nonprofit legal status approved by the GOH (*personería jurídica*); and
 - (c) NGOs/municipalities must:

- i. provide at least 2 acres of appropriate land for the training center, with clear and legal title in the name of the NGO or municipality;
- ii. agree to follow VT and ABEDS curricula and participate in the project's trade certification program;
- iii. demonstrate responsibility and appropriate capacity to finance the recurrent costs of the training center; and
- iv. accept all conditions specified in the agreement CADERH will sign with them.

(3) CADERH's staff will rank the proposals approved for consideration based on the following criteria:

- (a) demonstrated capabilities of the sponsoring institution to manage development efforts in a responsible and progressive manner;
- (b) the projected impact of training based on the anticipated number of trainees, proposed areas of instruction, employment opportunities and the probable income increases for graduates; and
- (c) the cost of financing the proposal and the cost-sharing contribution proposed by the sponsoring institution.

(4) Proposals recommended for financing by CADERH's staff will require final approval by CADERH's Board of Directors and USAID/Honduras.

b. Physical Upgrading of Existing VT Centers

CADERH will support the physical upgrading of at least 12 of the existing 16 VT centers affiliated with CADERH. An average investment of \$20,000 per VT center is anticipated. The involvement of these institutions under the project will help expand and incorporate basic education activities in the centers and maintain the future quality and efficiency of the vocational training provided by these centers.

Subgrantees will commit themselves to offer VT and ABEDS training and accept the conditions specified in their agreement with CADERH. The sixteen training centers which will be eligible for consideration by CADERH include:

- Centro Vocacional Evangélico y Reformado (CEVER); Yoro, Yoro
- Instituto Técnico Loyola; El Progreso, Yoro

- Aldeas S.O.S.; Tela, Atlántida
- Aldeas S.O.S.; Zamorano, Francisco Morazán
- Instituto Técnico Sampedrano; San Pedro Sula, Cortés
- Centro Técnico Modelo; San Pedro Sula, Cortés
- Instituto Técnico Chamelecón; Chamelecón, Cortés
- Instituto Técnico Central; Sula, Santa Bárbara
- El Sembrador; Catacamas, Olancho
- Instituto Técnico Franciscano; Flores, Comayagua
- Instituto Técnico Don Bosco; Tegucigalpa
- Instituto Técnico Santa María; Tegucigalpa
- Instituto Técnico Juan Calvino; Tegucigalpa
- Instituto Técnico Dion; Tegucigalpa
- Instituto Técnico del Sur, Choluteca
- Instituto Técnico Amarateca; Francisco Morazán

c. Production and Sale of Products from VT Centers

All training centers will integrate production activities with vocational instruction. This was a key element under the previous CADERH Project, which demonstrated that production activities provide excellent opportunities for trainees to practice and perfect their vocational skills, while contributing to the cost-recovery of the VT centers by financing 30% to 40% of the training center's recurrent costs from the proceeds of production activities. CADERH will grant an initial \$10,000 from project resources to each of the new training centers to establish an internal revolving production fund. In addition, CADERH will provide a counterpart contribution in the amount of \$125,000 to establish a complementary revolving production fund which will be used to finance CADERH-directed production activities with existing and new training centers.

d. Development and Updating of Training Modules

CADERH will print and distribute at least 50,000 gender-sensitive competency-based training modules and develop at least three additional trade modules under the BEST Project. USAID and CADERH will jointly agree on the three new trade modules to be developed. Among those currently being considered are new modules for electricians, industrial maintenance, apparel, food processing and tourism. By the fifth year of the project, competency-based modules will be available for at least 33 trade areas and 50,000 copies of modules will have been distributed to VT centers, private businesses, business incubators and other vocational training institutions, along with competency-based testing and trade certification for participants.²⁶

²⁶ CADERH will present a work plan for revising modules, developing new modules, printing and reprinting modules, developing and reproducing audio-visual instructional materials, and distributing modules and audio-visual materials to training centers. USAID shall approve this work plan prior to disbursing funds for this activity and periodic disbursements to CADERH will be based on the delivery of outputs specified in the work plan developed

4. Implementation Arrangements²⁷

a. Staffing and Technical Assistance

CADERH has developed considerable technical and managerial capabilities over the past decade while working with NGO training centers. External technical assistance needs, consequently, are limited and the component will not require a full-time technical advisor. A part-time Technical Advisor will be contracted by USAID as a non-personal services contractor and will serve over the life of the project. Based in San Pedro Sula, the Technical Advisor will assist CADERH in selecting and training personnel and vocational administrators, establish an information system for the component, monitor and evaluate the progress of the component on a semi-annual basis, and recommend adjustments in project implementation strategies to achieve maximum development impact. Thirty person months of this technical assistance is anticipated over the life of the project.

USAID will also extend the contract of USAID/Honduras' Supervising Engineer to serve full-time as a personal services contractor under BEST. The Supervising Engineer will provide building plans for new centers and the remodeling of existing centers, supervise construction activities, prepare lists of construction materials and the delivery dates for the building materials required for each center, monitor progress and authorize the final reception of the completed center by the grantee. The Supervising Engineer will report to the BEST Project Officer and will be employed under the project for a period of approximately two years (1996-97), during which time all construction activities should be completed. In addition, USAID will hire a part-time Assistant Project Manager to handle administrative matters within USAID for Component II activities. USAID will finance internal audits conducted by CADERH's internal auditor and nonfederal external audits contracted with a local auditing firm approved by the RIG. Additional technical advisors may also be contracted by USAID, if required, for specific short-term assignments.

Component II personnel located within CADERH will include: a Vocational Training Director, a Technical Coordinator, up to eight Technical Specialists, an Administrator, and a secretary. The Vocational Training Director, Technical Coordinator, and Administrator are considered key personnel and essential for the success of this component. Nominations of candidates for these positions shall be submitted to USAID by the grantee for final approval, and personnel selected for these positions shall not be changed without the prior written approval of USAID.

The Vocational Training Director, under the direct supervision of CADERH's Executive Director, will be responsible for all aspects of the implementation of the

by CADERH.

²⁷ See Diseño del Componente II del Proyecto BEST (April 1994) for further guidance on the implementation of this component.

VT/BE Component. He/she will provide direct supervision for the Technical Coordinator and Administrator.

The Technical Coordinator will manage the technical aspects of this component. These include the training of instructors and other personnel from the training centers, defining the specifications and supervising the installation of equipment in training centers, assisting the training centers in the integration of production activities with vocational instruction, obtaining appropriate competency based training materials, executing trade certification exams, and monitoring the information system.

Between Four and Eight Technical Specialists (at different stages of the project), will train and certify instructors in vocational training centers, and provide ongoing technical assistance for training centers. They will be supervised by the Technical Coordinator.

The Administrator will be under the direct supervision of the Vocational Training Director and will be responsible for acquisitions (in coordination with the Technical Coordinator and USAID's Supervising Engineer), subcontracting, accounting and financial reporting, and other administrative aspects of the component. The Administrator will also provide direct supervision for the component's administrative personnel.

b. Management Information System

CADERH will develop a management information system (MIS) for the VT center program based on the ones developed under the previous CADERH and the PEEP Projects. The part-time Technical Advisor will refine the system to ensure that it generates information for the component's semi-annual assessments and external evaluation. See Annex G: "Information and Evaluation Plan" for further details.

5. Sustainability of Component II Activities

a. NGOs and Municipalities

NGOs and up to 12 selected municipalities will execute VT/BE programs, manage the training centers, and finance the recurrent costs of training. This strategy is based on previous experiences with CADERH, which demonstrate that NGOs and municipalities can fully finance the recurrent costs of training, while meeting the training needs of less privileged sectors of society, reducing pressures on limited GOH resources, and encouraging increased female participation in training programs for traditional and nontraditional trades. There are currently 16 NGOs providing VT. Their recurrent costs run an average of \$26,000 per year—an amount they have been able to cover with the sale of goods produced at the VT centers (allowing centers to recover up to 40% of their annual recurrent costs) and funding from other donors and religious groupings. Given their previous experience in covering

these costs, it seems reasonable to assume that they will be able to continue doing so during and after the project.

b. CADERH Endowment

Experience under the recent project with CADERH has demonstrated the importance of providing continuing technical assistance and training for VT center staff to ensure the quality, efficiency and cost-effectiveness of training. In 1992, when USAID financing for VT center training and technical assistance ended, CADERH continued to provide support to the centers for training and technical assistance albeit at a lower level. Even at this reduced level, however, these activities, began to affect CADERH's financial sustainability; as a result, in the final year of the project, supervision was not provided at the level required. This resulted in a dramatic drop in the job placement rates and a worsening of drop out rates among the VT center students. It is clear, therefore, that under BEST, training and technical assistance to the centers must be continued.

The Mission proposes to resolve the funding constraint through the establishment of a \$600,000 endowment fund, which will finance CADERH's ongoing technical assistance and training for the personnel of VT centers. Subject to USAID/Washington approval, the endowment will be established under a separate HB 13 Grant Agreement, and will be structured to enable CADERH to provide approximately \$50,000 of support annually to VT centers for a period of about twenty years. See Annex C "CADERH Endowment Proposal," for details on the expected operation of this endowment.

C. Component III: Policy Reforms and Project Promotion (PRPP)

1. Overview

Under the project, CADERH will manage a \$300,000 fund for a Policy Reform and Project Promotion program which will help introduce, implement and disseminate policies to improve the quality, efficiency, coverage, and equity of education and training. Experiences in the Latin America region have shown that modest investments in research, experiments with new strategies, short-term technical assistance, and observational travel can result in significant policy changes which can contribute to improvements in human resource development efforts.²⁸

USAID's experience with education and training projects has also demonstrated the importance of disseminating information on project goals, strategies, activities, and accomplishments. The BEST Project will involve significant departures from the traditional, centralized norms of the basic education and vocational training systems. Without mechanisms to assure that the general public understands the rationale and benefits associated

²⁸ See Rifkin, Op. Cit.

with these new strategies, special interest groups (teachers' groups, traditional education and training institutions, etc.) could cause difficulties during the implementation of BEST.

2. Description

a. Policy Reform Activities

CADERH will use funds from the USAID contribution to BEST to finance research on policy issues, short-term technical assistance in key policy areas, observational travel, and seminars and publications.²⁹ The objective of these efforts will be to encourage needed policy reforms to improve basic education and vocational training. Approximately \$45,000 will be available per year for these activities. These funds will be made available to CADERH through its Cooperative Agreement with USAID.

An illustrative list of the reforms to be examined includes the following:

(1) Alternative Sources of Financing for Education and Training: Because the GOH cannot finance all levels of training and education for all sectors of society, it is necessary to research alternative sources of financing. Additional financial resources will need to be tapped from non-government sources in order to fill the large gaps. Students should be able to finance a more significant share of their studies particularly at the higher levels of secondary and post-secondary education, because completing these levels provides the highest rates of financial return for graduates. Further, expanded access to student loans for both the opportunity and direct costs of secondary and post-secondary education is also essential, and would permit the education system to be more equitable. Lower income students often cannot afford the opportunity costs for studies at these higher levels.

Employers can also play a critical role in financing, strengthening and reorienting training capabilities. Tax incentives could be used to encourage increased private sector investments in education and training. These incentives, however, have rarely been used, publicized, or understood by the private sector, but most adult basic education and skills upgrading could be met by employers and financed by these incentives. CADERH will fund a study to examine and promote these and other alternatives for financing the costs of expanding more equitable access to education and training.

(b) Standardization of Evaluation Criteria: Teachers do not always use the same evaluation criteria for making pass/fail decisions and some students are

²⁹ All publications financed by Component III will require the final approval of USAID.

repeating grades unnecessarily.³⁰ Minimum learning objectives (*Rendimientos Básicos*) and criterion-referenced (competency) tests developed by PEEP for grades 1-6, and by the MOE (with USAID PD&S assistance) for grades 7-9, could be used more widely throughout the basic education system.

While CADERH's trade certification system has unified evaluation criteria among the training centers which received assistance under the previous project, this system could also be used by GOH formal and nonformal vocational training institutions to establish a unified technical education evaluation and trade certification system.

Short-term technical assistance and observational travel may be provided to examine U.S. and other country systems which have established minimum learning objectives, accreditation and credit, and evaluation criteria among high schools, vocational training centers, adult education programs, and post-secondary institutions. Modest investments in this area could help identify alternatives to reduce the duplications, confusion, and inefficiencies caused by a lack of standardized evaluation criteria for formal education and vocational training in Honduras.

(c) Decentralization of Education and Training: The GOH's plan for the modernization of education includes a recommendation to decentralize education and training. While decentralization could increase responsiveness and accountability, this is a controversial issue. Educators fear that decentralization will increase controls and give decision making powers to people other than educators. While many educators are opposed to decentralization, this reform could also bring benefits to conscientious educators by improving salaries and incentives, increasing community support for education, and reducing political influence in hiring and promotion policies.

The experiences of Mexico, Colombia, Chile and the U.S. could help persuade teachers that decentralization could also provide benefits for educators. Seminars, observational travel for leader teachers, and more balanced publications on decentralization experiences could help encourage acceptance.

b. Project Promotion

CADERH staff will prepare periodic news releases, seminars, audio-visual presentations, and publications to reinforce the BEST Project's policy positions and divulge accomplishments.

³⁰ Basic Research and Implementation in Developing Education Systems (BRIDGES), "Repetición en la Escuela Primaria: Un Estudio de la Escuela Rural en Honduras" (Cambridge: Harvard University/ USAID/MOE, 1992); and Universidad Pedagógica Nacional (UPN), "La Reprobación en la Escuela Primaria en Honduras" (Tegucigalpa: UPN/USAID/MOE, 1993).

USAID will provide CADERH with some \$12,000 annually in BEST grant funds over a five-year period to disseminate information on accomplishments of the project.

3. Implementation Arrangements

a. Competitive Small Grants

CADERH will establish a small grants program for funding of research, technical assistance, experimental innovations, observational travel and publications. An inter-institutional committee formed by CADERH will review and approve all such proposals. The committee will include representatives from the private and labor sectors, vocational training and education institutions, USAID and the MOE. The committee will also serve as a forum for these groups to review and analyze policy issues related to the decentralization, financing, quality and equity of vocational training and education.

The Vice Minister of Education for Technical Affairs will serve as the chairperson of the committee during the initial two years of the project, after which time the chairperson will be elected by the members of the committee. Funding for activities under this component will be provided from the USAID grant contribution under the Cooperative Agreement and disbursed by CADERH with the approval of USAID.

The inter-institutional committee will meet at least quarterly to review and evaluate proposals for publicity and for small grants to promote policy reforms.

b. Publications and Promotion

CADERH will, in consultation with the MOE (for Component I) and selected NGOs and municipalities (for Component II), implement annual publicity and promotional campaigns for ABEDS and VT/BE. Annual workplans will include a section on publicity and project promotion. As noted earlier, USAID will approve all publications financed under the project.

c. Staffing Plan

This third project component will not require a permanent staff. CADERH will provide secretarial assistance, meeting facilities, and logistical support for the inter-institutional committee over the life of the project with financing of \$3,000 annually from the USAID contribution to BEST.

ANNEX C

CADERH ENDOWMENT PROPOSAL
BASIC EDUCATION AND SKILLS TRAINING PROJECT
(522-0388)

Submitted to USAID/W

By USAID/Honduras

March 1995

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CADERH ENDOWMENT PROPOSAL

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Table 1: Illustrative Project Budget Summary

Table 2: Illustrative Endowment Fund

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Table 4: Illustrative Counterpart Budget For VT Center Support

CADERH ENDOWMENT PROPOSAL

A. Introduction and Summary

USAID/Honduras proposes to establish a dollar endowment of \$600,000 with the Centro Asesor para el Desarrollo de los Recursos Humanos (CADERH), a twelve year-old training institution with a solid track record,¹ as part of the Vocational Training with Basic Education (VT/BE) component of the new Basic Education and Skills Training (BEST) Project. The endowment will be obligated during the first two years of the BEST Project and will be placed in a safe interest earning investment managed by a U.S.-based Asset Manager to be selected by CADERH's Board of Directors. Small installments of principal and interest earnings will be drawn down annually over a period of 20 years to support CADERH's assistance to vocational skills training institutions which train low income Hondurans. USAID oversight of the endowment will continue for ten years (1995-2004) under the aegis of an Endowment Grant Agreement with CADERH. During the remaining ten years of the endowment's life CADERH and its Asset Manager will be responsible for managing the investment and use of endowment resources.

USAID's Policy Determination 21, *Guidelines: Endowments Financed with Appropriated Funds* sets forth basic requirements and offers several suggestions related to USAID's authority to capitalize endowments using appropriated dollars. The guidance requires that such endowments be reviewed and approved in Washington by the Regional Bureaus with GC and PPC involvement.

This proposal has been developed in consultation with the LAC Bureau, PPC and legal counsel, and reflects the Mission's judgment as to the most appropriate arrangements necessary for insuring adequate USG oversight of endowment investments and expenditures. The Mission therefore requests LAC Bureau approval to establish and capitalize the endowment, as described below.

B. Background and Purpose

USAID/Honduras concluded a ten-year project (522-0257) with the "Centro Asesor para el Desarrollo de los Recursos Humanos" (CADERH) in July of 1994. Among other activities,

¹ CADERH's strength derives largely from the long-term stability it has had among its membership and Board of Directors, bodies which include some of Honduras' most progressive and dynamic private sector business persons. CADERH's legal statutes require that any new member be approved by the Board of Directors. The membership in turn elects representatives to the Board. This has had the very positive effect of ensuring continuity and a shared sense of institutional purpose over the last 12 years. For the next decade, continued stability and shared objectives among the Directors of CADERH are expected to be key elements to safeguard the endowment and its uses. Additional safeguards include: annual audits of expenditures financed by the endowment, which will be reviewed by the CADERH Board, USAID, and will be available for review by the VT centers; an advisory group composed of VT center heads to evaluate CADERH's assistance financed by the endowment; and, the services of a well-regarded business leader not associated with CADERH and of two Board members on an Endowment Management Committee.

the project established 16 **nonformal**² vocational training (VT) institutions sponsored by NGOs and municipalities. USAID financing was utilized to build and remodel training centers, purchase tools and equipment, and train personnel. The training centers charge only token tuition fees, since they serve some of the poorest sectors of society. Consequently, responsibility for financing most of the recurrent costs of training rests with NGOs and municipalities.

CADERH has provided ongoing technical assistance (TA) and training for the personnel of these centers since 1986 and has covered these costs since 1992. CADERH's ability to provide this assistance, however, has been dependent upon income generated from other services provided to the private sector.

While CADERH has managed to remain financially self-sufficient (covering all direct and indirect costs of its own training programs as well as subsidizing technical assistance to VT centers at minimal levels), the institution is unable to continue adequate levels of TA and staff training for both the current centers and for the 15 new training centers to be established under BEST. Yet this TA and training is essential to the success of the VT training centers. For example, when CADERH's TA and staff training programs for the VT centers were reduced during 1993-94, the 1992 retention and job placement rates of 87% and 90%, respectively, began to decline.

To overcome this constraint, USAID/Honduras is proposing an endowment to finance TA, training and other support so that CADERH can continue to provide assistance to the existing training centers and the 15 additional centers to be established under the BEST Project. The endowment will finance 1.5 person years of technical assistance for existing VT centers during the life of the BEST Project and approximately 3.5 person years of technical assistance annually thereafter until the endowment is fully expended. This assistance will include: pedagogical and technical training for instructors and administrative personnel; administering trade certification exams for students and instructors; job placement assistance to students; and other technical assistance to ensure that VT centers maintain job placement and retention rates of at least 80% annually. After the BEST Project activities are completed in the year 2000, the endowment will also finance a secretary and a part-time Director of VT support activities who will supervise technical personnel, review and approve annual operational plans and budgets, evaluate activities quarterly, and keep CADERH's Board of Directors fully informed on outcomes.

Other costs to be financed by the endowment will include office supplies, logistical support for training; costs of preparing awards for instructors; costs of offering trade certification exams; transportation and vehicle maintenance; and annual audits. Table 3 attached to this proposal lists the allowable costs to be financed under the endowment.

² **Nonformal** VT does not require a formal academic degree as a requisite for enrollment and focuses on specific trade skills required for obtaining employment.

The proposed endowment will help assure the sustainability of the achievements of the VT component of the BEST Project, the New Activity Description which was approved by the LAC Bureau with the Mission's 1994-95 Action Plan³. USAID plans to authorize the BEST Project in the second quarter of FY 1995. Only the Endowment Proposal remains to be reviewed and approved by USAID/W.

The VT/BE component of the BEST Project will be implemented through a five-year Cooperative Agreement with CADERH (under a bilateral Project Grant Agreement with the GOH) and through a separate ten-year Endowment Grant Agreement (direct obligation to CADERH) for the purpose of establishing an endowment.⁴

C. Consistency with USAID Strategy

One of USAID's strategic objectives is "enhanced economic participation and increased incomes of the poor" through "investment in people." The BEST Project will contribute to this outcome by "expanding access to high quality basic education and vocational training (VT) for out-of-school youth and young adults." As discussed in the BEST Project Paper, the Mission regards the endowment as a critical element of the BEST Project, for it will help sustain the ability of VT centers to continue to provide access to this disadvantaged population well after the PACD.

D. Rationale for Choosing the Endowment Instrument

1. Local Currency Funds Are Unavailable

The scaling back of the USAID/Honduras portfolio has reduced the Mission's options. In the past, the Mission has established local currency endowments with ESF-generated local currency. The elimination of ESF assistance to Honduras, however, means there is no ESF local currency available to finance the proposed endowment.

2. Maintenance of High Quality Training over the Long-Term

USAID and CADERH's experience with 16 VT centers over the past decade clearly shows

³ In addition to VT, the other two components of the BEST Project will be Alternative Basic Education Delivery Systems (ABEDS) and Policy Reform and Project Promotion. These components are not directly related to the proposed endowment.

⁴ The Mission plans to authorize the BEST Project for a 10 year period. Activities under its three components will terminate, however, after the fifth year. The only remaining element under the project will be the endowment, which will have direct USAID oversight for 10 years.

that the high quality training, job placement and retention rate levels can be maintained if ongoing TA, staff training and material support are provided at appropriate levels to the training centers. Neither CADERH nor the VT centers have the resources to cover these costs.

PD-21 states that: "An endowment may be used to broaden and enhance the funding base of an NGO engaged in activities which have a long-term horizon and where funding for short-term grants or a series of such grants is likely to be insufficient to realize the full program objectives." This is precisely CADERH's situation.

We estimate some 20 years of ongoing support through CADERH is needed for the majority of the cooperating VT centers to become technically self-sufficient; produce high quality, trade certified graduates; maintain job placement and retention rates of at least 85%; and allow Honduras to develop a cadre of well trained and experienced vocational educators to design, manage and operate VT programs.

3. Why 20 years? Buttrressing the Less Educated Generations

Because half of Honduras' current workforce (ages 15-65) does not have a primary education, strategies to strengthen human resources must draw upon nonformal vocational training methodologies which do not have primary education as a prerequisite. As a new generation of children enters an improved primary education system and later the workforce, human resources training will become more sophisticated, adapting to a better educated clientele.

During the 20 year life of the endowment it is anticipated that the Honduran VT system will evolve much the same as have the VT systems of more developed countries in the region. For example, 20 to 30 years ago, many countries in the region had training systems similar to Honduras', with NGO and municipal training centers providing *nonformal* vocational training. As the *formal*⁵ education levels of populations increased, many of these NGO and municipal training centers became recognized by Ministries of Education and themselves became part of the *formal vocational training*⁶ system in these countries.

Vocational training in Honduras is expected to evolve in a similar manner over the next generation as the basic education level of the labor force improves. In the meantime, however, there will be a continuing need for *nonformal* VT centers sponsored by NGOs and municipalities because of the Honduran labor force's low levels of formal education, which

⁵ Formal education includes primary, secondary and post-secondary education.

⁶ Formal vocational training requires primary and middle school diplomas to enroll in a technical high school, and a high school diploma to enroll in post-secondary training.

are substantially below those of more developed countries in the region.⁷

Given the expected decline in the number of people using nonformal VT centers in about 20 years, the need for CADERH TA and training for VT centers is also expected to decline. With a better educated populace and twenty more years of development, it is also anticipated that the Ministry of Education will be in a position to provide more appropriate levels of financing for ongoing staff training and TA for more sophisticated nonformal and formal vocational training centers. Thus, the need for a continued flow of revenue from the endowment will have abated. For this reason, USAID views the endowment as a long-term, yet temporary support to help meet the educational needs of the current workforce of Honduras.

4. Relative Cost-Effectiveness

Our analysis indicates that the endowment will be more cost-effective than would a series of grants to CADERH, because it will require less USAID oversight over a 20 year period. We estimate that the direct administrative costs for USAID to manage a grant for 20 years would almost certainly exceed the management fees associated with administering an endowment fund.

E. Requisite Characteristics of the NGO

CADERH meets all the requisite characteristics set forth in the guidance for an eligible NGO beneficiary. CADERH is a USAID-registered PVO with a USAID-approved system of financial controls and an organizational charter fully consistent with the purposes of this endowment.

CADERH was formed in 1982 as an advisory committee with private and labor sector representatives to assist USAID in identifying high priority human resource development investment options. Now, after more than a decade of collaboration and institutional support from USAID, CADERH has become a well-managed, non-profit organization experienced in constructing and equipping vocational training centers, providing TA and staff training, establishing trade certification standards, and providing related support for training centers. In addition, CADERH has developed financially sustainable activities, including the development and marketing of vocational training materials, a job placement service, and technical assistance and training services for private sector export-oriented and local businesses. USAID therefore believes that CADERH is precisely the sort of institution capable of receiving and properly managing endowment funds and using this resource to help assure the sustained provision of services to intended beneficiaries.

⁷ In Honduras, over 50% of the workforce has not completed primary education; over 80% of the workforce has not completed secondary education; and the average level of schooling of people 15 to 60 years of age is the lowest in the Central America region (only 3.9 years).

F. Recipient Financial Participation

The BEST Project is to include a substantial counterpart financial contribution. Of the Project's total budget of \$15,849,000 USAID will provide \$10,235,000, the MOE \$2,730,000 and CADERH and the VT centers \$2,884,000 (See **Table 1** for a budget summary of the BEST Project over the 1995 to 1999 period). The counterpart contribution will approximate 35%, exceeding the 25% statutory requirement.

Under Component II, Vocational Training with Basic Education (VT/BE), CADERH and the VT centers will contribute \$2,884,000 during the first five years of BEST (1995-1999). During the second five years of BEST (2000-2004), the CADERH and VT contribution will reach \$4,038,700 (See **Table 4**). As noted above, the Endowment Grant Agreement between USAID and CADERH will have a life of 10 years, five years beyond the life of the three BEST Project components.

G. Endowment Structure and Procedures

USAID proposes to grant \$600,000 to CADERH under a 10-year Handbook 13 Grant Agreement for the purpose of establishing the endowment. Prior to the disbursement of funds, CADERH will execute a Financial Management Agreement (FMA) with a U.S. financial manager (the "Asset Manager"), preferably one that has had experience with endowments of overseas institutions. USAID disbursements may have to be provided in two tranches, depending upon the availability of Development Assistance funds in FY 1995 and FY 1996.

1. Endowment Grant Agreement

The Endowment Grant Agreement with CADERH will insure adequate oversight with minimal USAID involvement over a period of 10 years (1995-2004). In particular, it will detail controls related to the expenditure of funds and the financial arrangements and controls related to the investment of the endowment fund itself.

Covenants under the Endowment Grant Agreement will include:

- a. Endowment purpose: CADERH may use the endowment funds only to support VT centers with which CADERH has signed subgrant agreements. Such support will include technical assistance, staff training and material support. The allowable costs will be specified in the Endowment Grant Agreement and in the Financial Management Agreement with the U.S. Asset Manager.
- b. The Board of Directors and the Executive Director of CADERH will have full responsibility for all expenditures under this agreement. An Endowment Management Committee composed of at least two members of the Board and

an outside member with financial expertise will oversee the investment of endowment funds and report to the full Board of Directors. The outside member on the Committee will be approved by USAID during the 10-year USAID oversight period. Board members who form part of the Committee will be elected by the full Board and will serve terms consistent with their membership on the full Board. CADERH will ask each member of the Endowment Management Committee to sign a conflict of interest statement.

- c. CADERH will form an advisory group composed of representatives from the VT centers to provide feedback on the training, TA, and support received each year, and make recommendations for future activities to be executed under the endowment. This group will not have final decision-making powers over the use of the funds.
- d. Whenever feasible, CADERH will give preference to U.S. source/origin in procuring services and supplies.
- e. Prior to disbursement of funds, USAID will approve the Financial Management Agreement between CADERH and a U.S.-based Asset Manager. CADERH will select the Asset Manager based on criteria which it will determine.
- f. During the 10-year Endowment Grant Agreement life, the FMA can be modified only with USAID approval.
- g. USAID oversight will continue throughout the 10-year life of the Endowment Grant Agreement. During this period, USAID and the CADERH Board of Directors will review annual audit reports and ensure basic compliance with the terms of the Endowment Grant Agreement and the Financial Management Agreement with the Asset Manager.
- h. After the 10-year life of the grant and the completion date of the BEST Project, USAID oversight will cease. The Board of Directors of CADERH will be solely responsible for reviewing annual audit reports certified by the Endowment Management Committee, ensuring basic compliance with the terms of the Financial Management Agreement and ensuring that the funds are used for the purposes for which the endowment was established. CADERH will covenant, in signing the Endowment Grant Agreement, that modifications after the 10-year oversight period will not change the purposes of the endowment.
- i. If CADERH is dissolved, or if USAID determines that grant funds are improperly used, USAID may at its option terminate the Endowment Grant Agreement and instruct the Asset Manager and CADERH to refund to USAID any sums remaining in the endowment account and the most recent endowment disbursement. USAID would then return the funds to the U.S. Treasury.

2. Financial Management Agreement

CADERH will sign a Financial Management Agreement with a U.S.-based Asset Manager. Among other stipulations, the FMA will include the purpose and duration of the endowment; the types of investments which are allowable; responsibilities of CADERH's Board of Directors, CADERH's Endowment Management Committee and the Asset Manager; a realistic projection of income from the endowment; the maximum allowable annual disbursements which shall be made available to CADERH; the allowable expenditures to be financed by the endowment over the life of the endowment; disbursement procedures; administrative procedures for disbursements not fully utilized by CADERH; provisions for modification and termination of the FMA during and after the period of USAID oversight; requisite reports and audits; exchange rate considerations; and management fees.

The FMA will provide specific instructions to the Asset Manager which will be legally binding in the United States. The FMA will specify investment guidelines under which the U.S. Asset Manager will be required to operate.

Investment guidelines will insure that investments are sound and prudent, and not of a highly speculative nature. They will be designed to guarantee stable and secure returns over a 20 year period. Examples of allowable investments include Treasury Bills and high quality bonds and stocks. In particular, the guidelines shall define: investment objectives, the estimated duration and minimum quality of investments; allowable classes/types of assets; discretionary options available to the Asset Manager including any restrictions; performance measures to be employed; and other reporting requirements. These investment guidelines will seek to ensure that, at a minimum, the investment returns and funds available for disbursement, as agreed upon in a Financial Plan (similar to that shown in Table 2), are realized.

3. Program Expenditure Controls

The following expenditure controls will be included in either the Endowment Grant Agreement or the Financial Management Agreement, as appropriate. The Regional Legal Advisor will review both documents to help assure that these controls are adequate.

- a. CADERH will request that the Asset Manager transfer the planned annual disbursement from the endowment to a CADERH local bank account from which CADERH may then draw for monthly expenditures which are to be financed by the endowment. As shown in Table 2, the dollar transfer will be zero in the first year (Calendar Year 1995), \$12,900 during the second year, with 3% annual increments through the year 1999.⁸ After completion of the

⁸ The 3% annual increment is based on an expected 3% annual inflation rate in the United States. Should the U.S. inflation rate increase considerably, the Honduran currency will undoubtedly be affected and the endowment pay-out schedule may require adjustment. In this case, CADERH will need to seek approval from USAID/Honduras to modify the financial plan assumptions and pay-out schedule.

CADERH Cooperative Agreement with USAID (Component II of the BEST Project) in the year 2000, disbursements will increase to \$51,000, with annual increases of 3% per annum each year thereafter. Funds will be transferred and deposited in this manner until the endowment principal and interest is fully expended. Transfer guidelines shall stipulate the terms and conditions on transferring dollars from the endowment fund to CADERH's local bank account. The Asset Manager will execute a Transfer Agreement with CADERH's local bank.

- b. Prior to each year's disbursement from the endowment, CADERH shall submit an audited financial report to USAID and the Asset Manager showing that the prior year's funds were utilized in a manner consistent with the purposes for which the endowment was established. CADERH will undertake annual audits of the endowment account over the 10-year Endowment Grant Agreement and submit a copy of each audit to USAID and the Asset Manager. After the 10-year USAID oversight period, audits will continue to be performed, but the reports will only be submitted to the Asset Manager. The Asset Manager will present to the CADERH Board annual audited financial statements on the principal, earnings and disbursements of the account. CADERH will provide USAID a copy of the Asset Manager's statement during the 10 year oversight period only.
- c. Endowment funds must be maintained in a separate account.

H. CADERH Board of Directors

The following people are members of CADERH's Board of Directors and will ultimately be responsible for the endowment investments and expenditures.

Leonel Z. Bendeck (President): Owner and manager of the Honduras Match Company ("Honduras Fosforera"), former President of the National Association of Industries (ANDI), and also on the Board of Directors of the Foundation for Investment and Export Development (FIDE).

Felipe Antonio Peraza (Vice President): Owner and manager of an agricultural supply company, and also a member of the Board of Directors of the National Association of Industries (ANDI) and the President of the Fundación Coveló.

Andres Victor Artiles (Secretary): Labor leader, former General Secretary and President of the Federation of Free Labor Unions, recognized as one of the most important labor leaders over the past thirty years, and former member of the Board of Directors of the National Skills Training Institute (INFOP).

Ariel Espinal (Treasurer): Owner and manager of a small company that produces ceramic articles and former member of the Board of Directors of the National Association of Small Businesses (AMPI).

William Chong Wong (Deputy Treasurer): Former Vice Minister of Finance and Director of Taxes, and partner in a local accounting firm ("Morales, Palau, Williams y Asociados").

Jesus Simon: Owner and manager of one of the largest construction companies in Honduras, member of the Board of Directors of the National Skills Training Institute (INFOP), and member of the Board of Directors of the National Social Security System.

Rodolfo Eyl: Partner and manager of a group of companies ("Eyl Comercial") which include a construction company and a wholesaler for agricultural supplies, printing supplies and equipment, and pharmaceutical products.

Pablo Riso: Owner and manager of an automotive repair shop ("Agencia de Servicios Mecánicos").

Román Valladares: Former Dean of the School of Economics and Business Administration at the national university (UNAH), current Dean of Graduate Studies at the Central American Technical University (UNITEC), and author of business and management text books.

Micaela Durón: Labor leader in the health sector and former member of the Board of Directors of the National Skills Training Institute (INFOP).

Orlando Betancourth (Executive Director): Former Director of Secondary and Technical Education for the Ministry of Education.

I. Tax Consequences

CADERH is exempt from Honduran taxes, and will file Form 1023 to insure tax exempt status in the United States as a charity under Section 501(c)(3). Accordingly, the Asset Manager will not withhold interest income for tax purposes.

P:\PUBDOC\BEST\ANNEXC.NEW

BEST PROJECT 522-0388
ILLUSTRATIVE PROJECT BUDGET SUMMARY
\$(000s)

Table 1

ITEM	USAID	GOH	CADERH/NGO	TOTAL
1. ALTERNATIVE BASIC EDUC. DELIVERY SYSTEM (ABEDS)	4,425	2,730	0	7,155
2. NVT CONSTRUCTION AND SUPPORT	4,575	0	2,884	7,459
3. CADERH ENDOWMENT	600	0	0	600
4. POLICY REFORM & PROMOTION	300	0	0	300
5. EVALUATIONS AND USAID ADMINISTRATION	230	0	0	230
6. AUDITS	105	0	0	105
TOTAL	10,235	2,730	2,884	15,849

File: BESTBUD

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Table 2
Illustrative
Endowment Fund *

1/ Year	Beginning Balance	2/ Return	Interest Income	New Total	Amount Disbursed	Ending Balance
1995	100,000	3.0%	3,000	103,000	0	103,000
1996	603,000	3.5%	21,180	624,180	12,900	611,280
1997	611,280	6.0%	36,677	647,957	13,287	634,670
1998	634,670	6.0%	38,080	672,750	13,686	659,064
1999	659,064	6.0%	39,544	698,608	14,096	684,512
2000	684,512	6.0%	41,071	725,583	51,000	674,583
2001	674,583	6.0%	40,475	715,058	52,530	662,528
2002	662,528	6.0%	39,752	702,279	54,106	648,174
2003	648,174	6.0%	38,890	687,064	55,729	631,335
2004	631,335	6.0%	37,880	669,215	57,401	611,814
2005	611,814	6.0%	36,709	648,523	59,123	589,400
2006	589,400	6.0%	35,364	624,764	60,897	563,867
2007	563,867	6.0%	33,832	597,699	62,724	534,976
2008	534,976	6.0%	32,099	567,074	64,605	502,469
2009	502,469	6.0%	30,148	532,617	66,543	466,074
2010	466,074	6.0%	27,964	494,038	68,540	425,498
2011	425,498	6.0%	25,530	451,028	70,596	380,432
2012	380,432	6.0%	22,826	403,258	72,714	330,544
2013	330,544	6.0%	19,833	350,377	74,895	275,482
2014	275,482	6.0%	16,529	292,011	77,142	214,869
2015	214,869	6.0%	12,892	227,761	79,456	148,304
2016	148,304	6.0%	8,898	157,203	81,840	75,363
2017	75,363	6.0%	4,522	79,884	79,884	0

* Note: Column 2, "Beginning Balance" shows the projected balance in the endowment at the beginning of each year, "Return" shows the estimated rate of return on that balance (6%/annum)(except CYs 1995 & 1996), "Interest Income" the dollars earned and "Amount Disbursed" the maximum amount available that year for transfer to the grantee and includes a 3% inflation factor. If the endowment performs differently than projected, this would be reflected in a somewhat shorter or longer duration for the endowment.

1/ In CY 1995 an initial capital investment of \$100,000 is made for six months and therefore interest income is calculated at 3% only. In CY 1996 a second capital investment of \$500,000 is made and interest income of 3.5% is calculated (\$500,000 for six months plus \$103,000 for one year).

2/ The interest rate used in this projection is very conservative. Higher returns are expected in real practice, therefore, no Financial Asset Manager commissions or fees are considered.

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TABLE 3**Allowable Costs to be Financed by the Endowment**
(US \$000s)

ITEM	1996	1997	1998	1999	2000	2001	2002	2003	2004
Director ¹					\$ 4.0	4.1	4.2	4.3	4.4
Secretary					4.0	4.1	4.2	4.3	4.4
Technical Coordinator ²					12.0	12.4	12.8	13.2	13.6
Technical Specialist ³	12.9	13.3	13.7	14.1	24.0	24.7	25.4	26.2	27.0
Other Costs ⁴					7.0	7.2	7.5	7.7	8.0
TOTALS					51.0	52.5	54.1	55.7	57.4

¹ Equivalent of 1 week per month. The Director's responsibilities will be to supervise personnel; review and approve annual operational plans, budgets and activities; obtain the approval of annual work plans from CADERH's Board of Directors; evaluate outputs quarterly; and inform CADERH's Board of Directors and Executive Director on outcomes.

² The Technical Coordinator will plan, execute and monitor technical assistance, training, trade certification, and other activities with training centers.

³ The endowment will finance the salaries of 1.5 years of Technical Specialists from 1996-99, after which time approximately 2.5 person years of Technical Specialists will be financed annually for the duration of the endowment.

⁴ Other Costs include office supplies, logistical support for training programs, certification exams, awards for VT instructors with the highest percentage of students certified, annual audits, and related costs.

TABLE 4

ILLUSTRATIVE COUNTERPART BUDGET FOR VT CENTER SUPPORT
(US Dollars)

	1995 to 1999			2000 to 2004		
	CADERH Endowment Pay-Out	CADERH	VT Centers	CADERH Endowment Pay-Out	CADERH	VT Centers
Technical Specialist	54,000			127,300		
Technical Coordinator				64,000		
Director				21,000		
Secretary				21,000		
Other Costs				37,400		
Production Fund		125,000				
Facilities		40,000				28,000
Transport & Per Diem						90,000
Vehicle Maintenance						25,000
Recurrent Costs			2,475,000			3,625,000
Equip & Construction			190,000			
TOTALS	54,000	165,000	2,665,000	270,700	0	3,768,000

NOTE: This represents the counterpart contribution of CADERH and the VT Centers over the 10 year Endowment Grant Agreement period. Table 1, Illustrative Project Budget Summary, includes only the counterpart for the period 1995 to 1999, which adds to \$2,884,000.

ANNEX D

FINANCIAL PLAN

A. Overall Project Budget

The Basic Education and Skills Training Project (BEST) will have three components which will be implemented under two institutional arrangements. The first component will be executed by a project implementation unit under the direction of the Ministry of Education, through a Handbook 3 Grant Agreement with the GOH, and the second and third components will be implemented by CADERH under a Cooperative Agreement.

USAID project funding will be \$10,235,000 (65%), with a counterpart contribution equivalent to \$5,614,000 (35%), for a total project cost of \$15,849,000. USAID will provide \$4,665,000 for Component I with complementary funding in the amount of approximately \$1,600,000 from USAID's Primary Education Efficiency Project (No. 522-0273) for basic education activities with out-of-school youth and young adults. USAID will provide \$4,670,000 for assisting vocational training centers under Component II, \$600,000 for a proposed endowment for CADERH to finance technical assistance and training costs for the participating training centers for a period of approximately fifteen years after the completion of project-financed activities in 1999, and \$300,000 for Policy Reform and Project Promotion under Component III. The table below summarizes the planned contributions to BEST from all sources.

Illustrative BEST Project Budget
(US \$000s or equivalent)

ITEM	All Components	Component I		Component II		TOTAL
	USAID	GOH	Sponsors	CADERH	NGOS	
Alternative Basic Education	\$4,425	\$1,805	\$925	\$0	\$0	\$7,155
VT Construction and Support	\$4,575	\$0	\$0	\$244	\$2,640	\$7,459
CADERH Endowment	\$600	\$0	\$0	\$0	\$0	\$600
Policy Reform & Promotion (Component III)	\$300	\$0	\$0	\$0	\$0	\$300
Evaluations and USAID Admin.	\$230	\$0	\$0	\$0	\$0	\$230
Audits	\$105	\$0	\$0	\$0	\$0	\$105
TOTAL	\$10,235	\$1,805	\$925	\$244	\$2,640	\$15,849

B. Component I: ABEDS

The total cost of Project Component I is \$7,395,000, of which USAID will contribute \$4,665,000 (63%), and the GOH and ABEDS sponsors the local currency equivalent of \$2,730,000 (37%). USAID resources will be used to finance the development and printing of educational materials including textbooks, workbooks, instructors' guides and other pedagogical materials; the initial costs for transmitting interactive radio lessons; personnel; project management and administration expenses; project evaluations; audits; training; and contingencies. For the first two years of the project, the GOH contribution will be limited to the costs of project personnel. Beginning in the third year, however, the GOH and participating NGOs and municipalities will assume the costs of transmitting interactive radio lessons, reprinting educational materials, travel and per diem, and other operational costs (see attached Table A for details).

C. Component II: VT/BE

The total cost of Project Component II is \$7,554,000 and consists of \$4,670,000 (62%) in USAID funding and the local currency equivalent of \$2,884,000 (38%) in counterpart contributions from CADERH and the participating NGOs and municipalities sponsoring the nonformal vocational training assisted by the project. CADERH and the participating training centers will contribute an estimated equivalent of \$2,475,000 to finance the operational costs of training centers over the life of the project, assist in equipping and constructing training centers. CADERH will also provide project implementation facilities. There is also a significant contribution from past project activities with CADERH (Project No. 522-0257) which included the development of training curricula and a trade certification system. CADERH will also contribute the competency-based training system and trade certification program developed under its earlier project with USAID (No. 522-0257). These will be implemented in the new training centers with minimum investments from the BEST Project. USAID funds will be used to finance the upgrading of facilities, equipment, and instructional programs of at least 12 of the self-sustainable NGO training centers assisted under the previous project (522-0257) and to establish at least 15 additional self-sustainable training facilities managed by NGOs and selected municipalities (see attached Table B for details).

D. CADERH Endowment

A separate agreement with CADERH will establish an endowment in the amount of \$600,000 to provide continuing technical assistance and training for the personnel of these training centers, with a continuing counterpart contribution by the participating training centers to finance the recurrent costs of the centers during the life of the endowment. CADERH will provide implementation facilities (\$40,000) and financing for a \$125,000 revolving production fund for training centers. The illustrative schedule below shows the expected investment returns of the endowment and the annual pay-outs from the fund. (See Annex C, "CADERH Endowment Proposal" for more details.)

**ILLUSTRATIVE
USAID FINANCED ENDOWMENT FUND SCHEDULE ¹
(US DOLLARS)**

² Year	Beginning Balance	³ Return	Interest Income	New Total	Amount Disbursed	Ending Balance
1995	100,000	3.0%	3,000	103,000	0	103,000
1996	603,000	3.5%	21,180	624,180	12,900	611,280
1997	611,280	6.0%	36,677	647,957	13,287	634,670
1998	634,670	6.0%	38,080	672,750	13,686	659,064
1999	659,064	6.0%	39,544	698,608	14,096	684,512
2000	684,512	6.0%	41,071	725,583	51,000	674,583
2001	674,583	6.0%	40,475	715,058	52,530	662,528
2002	662,528	6.0%	39,752	702,279	54,106	648,174
2003	648,174	6.0%	38,890	687,064	55,729	631,335
2004	631,335	6.0%	37,880	669,215	57,401	611,814
2005	611,814	6.0%	36,709	648,523	59,123	589,400
2006	589,400	6.0%	35,364	624,764	60,897	563,867
2007	563,867	6.0%	33,832	597,699	62,724	534,976
2008	534,976	6.0%	32,099	567,074	64,605	502,469
2009	502,469	6.0%	30,148	532,617	66,543	466,074
2010	466,074	6.0%	27,964	494,038	68,540	425,498
2011	425,498	6.0%	25,530	451,028	70,596	380,432
2012	380,432	6.0%	22,826	403,258	72,714	330,544
2013	330,544	6.0%	19,833	350,377	74,895	275,482
2014	275,482	6.0%	16,529	292,011	77,142	214,869
2015	214,869	6.0%	12,892	227,761	79,456	148,304
2016	148,304	6.0%	8,898	157,203	81,840	75,363
2017	75,363	6.0%	4,522	79,884	79,884	0

¹ Note: Column 2, "Beginning Balance" shows the projected balance in the endowment at the beginning of each year, "Return" shows the estimated rate of return on that balance (6%/annum) (except CYs 1995 & 1996), "Interest Income" the dollars earned and "Amount Disbursed" the maximum amount available that year for transfer to the grantee and includes a 3% inflation factor. If the endowment performs differently than projected, this would be reflected in a somewhat shorter or longer duration for the endowment.

² In CY 1995 an initial capital investment of \$100,000 is made for six months and therefore interest income is calculated at 3% only. In CY 1996 a second capital investment of \$500,000 is made and interest income of 3.5% is calculated (\$500,000 for six months plus \$103,000 for one year).

³ The interest rate used in this projection is very conservative. Higher returns are expected in real practice, therefore, no Financial Asset Manager commissions or fees are considered.

E. Component III: Policy Reform and Project Promotion (PRPP)

USAID funding for Component III is \$300,000. This includes \$60,000 for project promotion (\$7,000 annually for Component I, \$3,000 for Component II, and \$2,000 for Component III), \$225,000 for promoting policy dialogue and reform, and \$15,000 to finance administrative and logistical support costs for the component (see attached Table C for details).

BEST PROJECT 522-0388
COMPONENT I
PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
\$(000's or Equivalent)

Table A

	Year 1995			Year 1996			Year 1997			Year 1998			Year 1999			Total			Year 2000 1/		
	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS
PRODUCTION OF MATERIALS:																					
01 Printed Materials	0	0	0	1,085	0	0	577	0	0	508	100	200	0	100	300	2,170	200	500	0	100	200
02 Recorded Materials	0	0	0	75	0	0	50	0	0	0	0	0	0	0	0	125	0	0	0	0	0
03 Radio Transmission Costs	0	0	0	100	0	0	100	50	0	0	175	0	0	175	0	200	400	0	0	175	0
Sub-total	0	0	0	1,260	0	0	727	50	0	508	275	200	0	275	300	2,495	600	500	0	275	200
SYSTEM DEVELOPMENT:																					
04 Equipment	0	0	0	10	0	0	10	0	0	10	0	0	10	0	0	40	0	0	0	0	0
05 Training	0	0	0	10	0	0	10	0	0	10	0	0	10	0	0	40	0	0	0	10	0
06 Testing	0	0	0	25	0	0	25	0	0	0	25	0	0	25	0	50	50	0	0	25	0
07 Personnel	85	175	25	250	200	50	225	200	100	225	200	100	125	200	100	910	975	375	0	325	100
08 Technical Assistance	0	0	0	55	0	0	55	0	0	55	0	0	55	0	0	220	0	0	0	0	0
09 Travel & Per Diem	0	0	0	75	0	0	100	0	0	160	0	0	0	80	0	335	80	0	0	30	0
10 Other Operation Costs	75	0	0	75	0	0	75	0	0	0	50	25	0	50	25	225	100	50	0	50	25
11 Contingencies	25	0	0	25	0	0	25	0	0	25	0	0	10	0	0	110	0	0	0	0	0
Sub-total	185	175	25	525	200	50	525	200	100	485	275	125	210	355	125	1,930	1,205	425	0	440	125
ADMINISTRATION:																					
12 Audits	0	0	0	15	0	0	15	0	0	15	0	0	15	0	0	60	0	0	0	0	0
13 Evaluations	0	0	0	50	0	0	0	0	0	0	0	0	50	0	0	100	0	0	0	0	0
14 Administration	0	0	0	20	0	0	20	0	0	20	0	0	20	0	0	80	0	0	0	0	0
Sub-total	0	0	0	85	0	0	35	0	0	35	0	0	85	0	0	240	0	0	0	0	0
Total	185	175	25	1,870	200	50	1,287	250	100	1,028	550	325	295	630	425	4,665	1,805	925	0	715	325

Note: 1/ Future recurrent costs after PACD.

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BEST PROJECT 522-0388
COMPONENT II
PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
\$(000's or Equivalent)

Table B

	Year 1995			Year 1996			Year 1997			Year 1998			Year 1999			Total			Year 2000 1/		
	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS
TRAINING CENTERS:																					
01 Equip & Construct 15 New Centers	425	0	5	900	0	35	875	0	60	350	0	65	0	25	0	2,550	25	165	0	0	0
02 Educational Materials & Audio-Visual Equip.	60	0	0	70	0	0	50	0	0	50	0	0	0	0	0	230	0	0	0	0	0
03 Production Funds	25	25	0	40	25	0	50	25	0	60	25	0	0	25	0	175	125	0	0	0	0
04 Strengthening 16 Existing Centers	200	0	0	110	0	0	10	0	0	0	0	0	0	0	0	320	0	0	0	0	0
05 Technical Assistance 6/	45	0	0	65	0	0	65	0	0	65	0	0	60	0	0	300	0	0	0	0	0
06 Recurrent Training Costs	0	0	300	0	0	400	0	0	500	0	0	550	0	0	725	0	0	2,475	0	0	725 2/
07 Personnel	93	0	0	80	0	0	90	0	0	101	0	0	103	0	0	467	0	0	0	44	0 3/
08 Travel & Perdiem	45	0	0	45	0	0	50	0	0	55	0	0	55	0	0	250	0	0	0	18	0 5/
Sub-total	893	25	305	1,310	25	435	1,190	25	560	681	25	615	218	50	725	4,292	150	2,640	0	62	725
ADMINISTRATION:																					
09 Implementation Facilities	25	8	0	0	8	0	0	8	0	0	8	0	0	8	0	25	40	0	0	6	0 4/
10 Office Equipment & Materials	28	0	0	8	0	0	8	0	0	8	0	0	6	0	0	58	0	0	0	4	0 3/
11 Vehicles	80	0	0	0	0	0	0	0	0	0	0	0	0	0	0	80	0	0	0	0	0
12 Fuel, Lubricants, Maintenance & Insurance	12	0	0	16	0	0	16	0	0	16	0	0	16	0	0	76	0	0	0	5	0 5/
13 Audits	5	0	0	10	0	0	10	0	0	10	0	0	10	0	0	45	0	0	0	0	0
14 Other Costs	8	0	0	9	0	0	9	0	0	9	0	0	9	0	0	44	0	0	0	3	0 3/
15 Administration	5	0	0	10	0	0	10	0	0	10	0	0	15	0	0	50	0	0	0	0	0
16 T A to Centers	0	0	0	0	13	0	0	13	0	0	14	0	0	14	0	0	54	0	0	0	0
Sub-total	163	8	0	53	21	0	53	21	0	53	22	0	56	22	0	378	94	0	0	18	0
Total	1,056	33	305	1,363	46	435	1,243	46	560	734	47	615	274	72	725	4,670	244	2,640	0	80	725

- Notes:
- 1/ Future recurrent costs after PACD.
 - 2/ Financed by the VT centers. Approximately 40% of this amount will be financed by Production Income and 10% from student fees and textbooks. See Table 7 for details.
 - 3/ Financed with Endowment resources.
 - 4/ CADERH in-kind contribution.
 - 5/ CADERH cash contribution.
 - 6/ TA SOW includes yearly evaluations of this component.

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BEST PROJECT 522-0388
 COMPONENT III
 PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
 \$(000's)

Table C

	Year 1995		Year 1996		Year 1997		Year 1998		Year 1999 1/		Total	
	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH
01 Promotion of Project	12	0	12	0	12	0	12	0	12	0	60	0
02 Policy Analysis	45	0	45	0	45	0	45	0	45	0	225	0
03 Admin. & Logistics	3	0	3	0	3	0	3	0	3	0	15	0
Total	60	0	60	0	60	0	60	0	60	0	300	0

Note: 1/ Activities of this component end in Year 1999.

File: BESTC3

ANNEX E PROCUREMENT PLAN

I. AUTHORIZED NATIONALITY/SOURCE/ORIGIN

The authorized source/origin for procurement under the BEST Project is the United States (Code 000).

II. U.S. AND NON-U.S. PROCUREMENT

All procurement will be from the US unless it meets one of the exceptions set forth in Chapter 18 of Supplement B to Handbook 1 or specific waivers are executed. The attached tables present the Procurement Schedules for each Component and indicate the "Buy America" implications for each procurement.

A. Exceptions to U.S. Procurement:

1. Observational Tours and Attendance at International Meetings outside Honduras: Nationality requirements for participant training allow for training in developing countries (Code 941) which are not concessional aid donors to Honduras. Because some training available in the US is not in Spanish and does not reflect developing world requirements, we expect that some tours and meetings attended will be in Code 941 countries.

2. Non-federal Audits: Chapter 18 of Handbook 1B provides that services under \$250,000 may be procured locally. All procurements of non-Federal audit services are expected to fall within this limit. Due to the familiarity of Honduran CPA firms with local conditions and their cost competitiveness we anticipate utilizing local firms for all audits.

3. Long-Term and Short-Term Technical Advisors: Chapter 18 of Handbook 1B provides that services under \$250,000 may be procured locally. In accordance with the LAC Bureau policy to promote Central American cooperation, "locally" means from any members of the Central America Common Market. It is anticipated that Hondurans will be contracted for the positions of the long-term Technical Advisor for Component I and Supervising Engineer for Component II. None of these two contracts will be in excess of \$250,000. Short term technical services will be procured from the US, Honduras or the CACM.

4. Commodity Procurements: It is anticipated that suppliers of commodities will be of US nationality and that the goods shall have their source and origin in the US except:

(a) Goods whose origin is the US may be purchased in Honduras provided that the value of the transaction is under \$100,000; and

(b) Goods for which the transaction size is under \$5,000.

5. Project Administration: Secretarial and administrative services will be procured in Honduras.

6. Construction Labor: Labor for construction activities will be procured in Honduras.

B. Waivers Required:

At this time only two waivers are anticipated: for motorcycles not made in the US and the contracting of the long-term technical advisor for Component II.

1. Long-Term Advisor for Component II: The Mission reviewed alternatives for filling the position of the Technical Advisor for Component II and concluded that the most appropriate candidate was the person who provided technical assistance for establishing vocational training centers under the previous project with CADERH. This person is a citizen of Peru and a waiver is required.

2. Small Motorcycles: For small motorcycles which are not made in the US a waiver permitting 935 origin will be processed. Source and nationality will be 000 and Honduras for small parts.

III. GRAY AMENDMENT

The procurement of printing services will specify that at least 10% of the contract value be subcontracted to Gray Amendment eligible firms. Qualified minority individuals and women will also be sought out for the technical advisor positions.

IV. PROCUREMENT SCHEDULES

The projected procurement schedules for each component of the project are summarized below.

A. COMPONENT I (HANDBOOK 3 GRANT AGREEMENT)

DESCRIPTION	ESTIMATED COST	NATIONALITY	SOURCE	ORIGIN	TYPE OF PROCUREMENT	DELIVERY DATE	FIRST PURCHASING AGENT
Printing Services	\$1,935,000	000	N/A	N/A	Competitive	11/95	USAID/H
Recorded Lessons	\$125,000	Honduras	N/A	N/A	Competitive	11/95	USAID/H & PIU
Broadcasting of Recorded Lessons	\$200,000	Honduras	N/A	N/A	Competitive	11/95	PIU
Training	\$40,000	000/941 Honduras	000/941 N/A	000/941 N/A	Competitive	9/95	USAID/H & PIU
Office Equipment	\$40,000	000 & Honduras	000 & Honduras	000 & Honduras	Competitive	11/95	USAID/H & PIU
Education Materials & Office Supplies	\$175,000	000 & Honduras	000 & Honduras	000 & Honduras	Competitive	11/95	USAID/H & PIU
Motorcycles	\$15,000	Honduras	Honduras	935	Competitive	10/95	USAID/H
Evaluations	\$100,000	000	000	N/A	Competitive	6/96	USAID/H
Recipient Audits	\$75,000	Honduras	Honduras	N/A	Competitive	2/96	USAID/H
Long-Term Technical Assistance (PSC)*	\$200,000	Honduras	Honduras	N/A	Non-Competitive	1/96	USAID/H
Short-Term Technical Assistance	\$20,000	000/Honduras & CACM	Same	N/A	Competitive	1/96	USAID/H & PIU
Project Administration*	\$80,000	Honduras	Honduras	N/A	Non-Competitive	1/96	USAID/H

Note: **Competitive** procurement is defined to include "full and open competition;" "informal competition" for some procurements of less than \$25,000; and "simplified purchasing procedures" for purchases under \$25,000.

* Current FSNPSCs employed by USAID under the Primary Education Efficiency Project (522-0273) will fill these positions.

B. COMPONENT II (HANDBOOK 13 COOPERATIVE AGREEMENT)

DESCRIPTION	ESTIMATED COST	NATIONALITY	SOURCE	ORIGIN	TYPE OF PROCUREMENT	FIRST DELIVERY DATE	PURCHASING AGENT
Vocational Training Equipment	\$1,300,000	000 & Honduras	000 & Honduras	000 & Honduras	Competitive	8/95	CADERH
Vocational Training Benches/Furniture	\$55,000	Honduras	Honduras	Honduras	Non-Competitive	1/96	CADERH CADERH
Construction Materials	\$900,000	000 & Honduras	000 & Honduras	000 & Honduras	Competitive	8/95	
Construction Labor	\$400,000	Honduras	N/A	N/A	Competitive	8/95	CADERH
Audio-Visual Equipment	\$35,000	000	000	000/935	Competitive	8/95	CADERH
Vehicles	\$80,000	000	000	000	Competitive	3/95	CADERH
Recipient Audits	\$50,000	Honduras	N/A	N/A	Competitive	2/96	CADERH
Long-Term Technical Assistance (NonPSC)	\$200,000	941	N/A	N/A	Non-Competitive	1/95	USAID/H
Supervising Engineer (PSC)*	\$100,000	Honduras	N/A	N/A			
Short-Term Technical Assistance	\$20,000	000/CACM & Honduras	N/A	N/A	Competitive	6/95	CADERH
Project Administration	\$60,000	Honduras	N/A	N/A	Non-Competitive	1/95	USAID/H

Note: **Competitive** procurement is defined to include "full and open competition;" "informal competition" for some procurements of less than \$250,000; and "simplified purchasing procedures" for purchase under \$25,000.

* Current FSNPSCs employed by USAID under the Primary Education Efficiency Project (522-0273) and the Honduras Peace Scholarship Project (522-0364) will fill these positions.

C. COMPONENT III

DESCRIPTION	ESTIMATED COST	NATIONALITY	SOURCE	ORIGIN	TYPE OF PROCUREMENT	FIRST DELIVERY DATE	PURCHASING AGENT
Studies/Evaluations	\$112,500	000/CACM & Honduras	N/A	N/A	Competitive	6/95	CADERH
Technical Assistance	\$37,500	000/CACM & Honduras	N/A	N/A	Competitive	6/95	CADERH
Observational Travel & Training	\$37,500	000/941/Honduras	N/A	N/A	Non-Competitive	6/95	CADERH
Publications	\$37,500	000/941 Honduras	000/941 Honduras	000/941 Honduras	Competitive	6/95	CADERH
Logistical Support	\$15,000	Honduras	Honduras	Honduras	Non-Competitive	6/95	CADERH
Project Promotion	\$60,000	Honduras	Honduras	Honduras	Competitive	6/95	CADERH

Note: **Competitive** procurement is defined to include "full and open competition;" "informal competition" for some procurements of less than \$250,000; and "simplified purchasing procedures" for purchase under \$25,000.

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ANNEX F IMPLEMENTATION PLAN AND SCHEDULE

I. Implementation Plans for Project Components

The BEST Project has three components:

1. Alternative Basic Education Delivery Systems (ABEDS)
2. Vocational Training with Basic Education (VT/BE)
3. Policy Reform and Project Promotion (PRPP)

Each component is briefly discussed below, followed by a presentation of key implementation activities for the first year of the project. Personnel from each component will review the implementation plan for the first year of the project, make adjustments as required, and obtain the approval of USAID for any adjustments made in the planned activities during the first year.

A. Alternative Basic Education Delivery Systems (ABEDS)

The BEST Project will provide basic education opportunities for out-of-school youth and adults utilizing written materials, interactive radio, cassettes, and paraprofessional instructors (facilitators). Existing Ministry of Education (MOE) programs will be expanded and improved upon; and NGOs, municipalities, employers and participants will be enlisted to help finance the recurrent costs of the expanded system. Key implementation activities during the first year of the project are summarized below by quarters. The responsible agent for all activities listed below will be the MOE's BEST Project Implementation Unit.

First Quarter 1995

- Recruit and contract project personnel
- Review and adjust implementation plan
- Major acquisitions (vehicles, motorcycles, & office equipment)
- Revise, reproduce and distribute recorded lessons for level 1
- Distribute written instructional materials for level 1
- Complete written instructional materials for level 2
- Initiate work on written instructional materials for level 3
- Complete training of trainers of facilitators for level 1 and train level 1 facilitators
- Administer criterion referenced placement tests for levels 1-6 and enroll participants for level 1

Second Quarter 1995

- Develop a promotion plan and begin executing promotion strategies for Component I
- Revise and reproduce recorded lessons for level 2
- Initiate instructional activities with facilitators

- Provide on-site supervision of facilitators for level 1
- Print written materials for level 2
- Initiate work on written instructional materials for level 4
- Complete written instructional materials for level 3
- Conduct first semi-annual evaluation of activities

Third Quarter 1995

- Administer tests for level 1
- Distribute written instructional materials and recorded lessons for level 2
- Train facilitators for levels 1 and 2
- Provide supervision for facilitators on levels 1 and 2
- Revise and reproduce recorded lessons for levels 3 and 4

Fourth Quarter 1995

- Print written instructional materials for level 3
- Complete written instructional materials for level 4
- Complete the revision and reproduction of recorded lessons for levels 3 and 4
- Reproduce recorded lessons for levels 1 - 4
- Conduct second semi-annual evaluation of activities
- Prepare and obtain approval for implementation and promotion plans, and budget for the second year

B. Vocational Training with Basic Education (VT/BE)

The Vocational Training with Basic Education (VT/BE) component will build or remodel and equip at least fifteen VT centers and business incubators, provide training and job placement services for 12,600 participants, and provide ongoing technical assistance and training for the participating training centers. Key implementation activities during the first year of the project are summarized below by quarters. The responsible agent for all activities under this component is CADERH.

First Quarter 1995

- Recruit and contract project personnel
- Review and adjust implementation plan
- Major acquisitions (vehicles & office equipment)
- Begin reviewing and reprinting training modules and related materials
- Initiate construction of warehouse
- Train trainers of instructors and begin training instructors
- Adapt materials from "Empresarios Juveniles" for use with VT training centers
- Provide orientations for NGOS/municipalities on preparing proposals
- Begin providing on-site technical assistance for training centers
- Begin administering trade certification exams as required
- Begin providing job placement services for training center graduates

- Establish an executive committee with members of CADERH's Board of Directors to approve proposals for subgrants and monitor project progress.

Second Quarter 1995

- Develop promotion plan and begin executing promotion strategies for Component II
- Complete construction of warehouse
- Evaluate and obtain approval for NGO/municipal proposals
- Begin signing subgrant agreements with NGOs/municipalities
- Begin distributing training modules and related materials
- Begin business management training with "Empresarios Juveniles" materials in training centers
- Conduct first semi-annual evaluation of activities

Third Quarter 1995

- Identify areas for new training modules and begin development of the highest priority trade area
- Provide second semi-annual training program for instructors
- Establish endowment board and begin USAID financed endowment

Fourth Quarter 1995

- Complete the signing of subgrant agreements for building and equipping of at least five (5) additional training centers
- Complete the signing of subgrant agreements for the upgrading of at least eight (8) existing training centers
- Begin construction of new training centers
- Establish local VT "revolving" fund with \$25,000 initial contribution by CADERH
- Conduct second semiannual evaluation of activities
- Prepare and obtain approval for implementation and promotion plans, and budget for the second year

C. Policy Reform and Project Promotion (PRPP)

Under this component, CADERH will disseminate information on the accomplishments of the project and promote project activities, and finance research, technical assistance, observational travel and publications to encourage policy reforms in education and training. The key activities for the component during the first year of the project are summarized below. The responsible agent for all activities under this component is CADERH.

Second Quarter 1995

- Establish Inter-Institutional Committee (IIC) and obtain IIC and USAID approval for an administration plan for the component

Third Quarter 1995

- Review and adjust implementation plan
- Prepare promotion strategies for IIC funding and activities
- Begin executing promotion strategies for Component III
- Begin reviewing and approving activities for IIC funding
- Begin executing activities with IIC funding

Fourth Quarter 1995

- Conduct first semi-annual evaluation of activities
- Prepare and obtain approval for implementation and promotion plans, and budget for the second year

II. Illustrative Project Implementation Schedule

An illustrative implementation schedule for the LOP is summarized below by project component. The annual budgets, promotion and implementation plans for the second year of the project and thereafter will be prepared by the Grantee and will be jointly approved by the Grantee and USAID prior to the end of each calendar year to assure that budget and implementation plans will be ready for execution by January 1 of the following year.

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ILLUSTRATIVE PROJECT IMPLEMENTATION SCHEDULE

COMPONENT I

Activities	Calendar Years/Quarters																							
	1994				1995				1996				1997				1998				1999			
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
Contract Personnel																								
Review and Adjust Implementation Plan																								
Acquisitions																								
Vehicles																								
Motorcycles																								
Office Equipment																								
Develop Written Education Materials (Texts, Workbooks, Flip Charts, etc.)																								
Level 1*																								
Level 2																								
Level 3																								
Level 4																								
Level 5																								
Level 6																								
Level 7																								
Level 8																								
Level 9																								
Printing & Distribution of education Materials																								
Level 1*																								
Level 2																								
Level 3																								
Level 4																								
Level 5																								
Level 6																								
Level 7																								
Level 8																								
Level 9																								
Revise, Reproduce and Distribute Interactive Radio Lessons																								
Level 1*																								
Level 2*																								
Level 3*																								
Level 4																								
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
	1994	1995				1996				1997				1998				1999						

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Component I (Continued)

Activities	Calendar Years/Quarters																							
	1994				1995				1996				1997				1998				1999			
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
Develop, Reproduce and Distribute Interactive Radio Lessons																								
Level 5																								
Level 6																								
Level 7																								
Level 8																								
Level 9																								
Train Trainers of Trainers																								
Train Facilitators																								
Supervise Facilitators																								
Administer Criterion Referenced Placement Tests																								
Administer Criterion Referenced Certification Tests																								
Conduct Evaluations																					*			
Annual Budget and Implementation Plan Prepared and Approved																								
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
	1994	1995				1996				1997				1998				1999						

* Final Project Evaluation

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COMPONENT II

Activities	Calendar Years/Quarters																						
	1994				1995				1996				1997				1998				1999		
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Contract Personnel																							
Review and Adjust Implementation Plan																							
Acquisitions																							
Vehicles																							
Office Equipment																							
Training Center Equipment																							
Construct Warehouse																							
Endowment Relationship Developed and Approved by USAID and the Grantee																							
Grantee's Contributions to the Local Endowment Fund																							
Provide Orientations for NGOs/Municipalities to Develop Proposals																							
Review and Approve of Proposals																							
Fifteen Additional Training Centers Built and Equipped										(5)				(5)				(5)					
At Least Twelve Existing Centers Upgraded						(8)				(4)													
Revise, Reprint and Distribute Training Modules and Related Materials																							
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	1994	1995				1996				1997				1998				1999					

COMPONENT II (Continued)

Activities	Calendar Years/Quarters																						
	1994				1995				1996				1997				1998				1999		
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Identify New Training Modules																							
Develop, Print and Distribute New Training Modules																							
Distribute Training Modules and Related Materials																							
Train Trainers of Instructors																							
Train Instructors																							
Provide On-Site Technical Assistance for Training Centers																							
Administer Competency Based Trade Certification Exams																							
Conduct Evaluations																					*		
Annual Budget and Implementation Plan Prepared and Approved																							
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	1994	1995				1996				1997				1998				1999					

* Final Project Evaluation

Component III

Activities	Calendar Years/Quarters																						
	1994				1995				1996				1997				1998				1999		
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Organize Inter-Institutional Committee (IIC)																							
Review and Adjust Implementation Plan																							
Prepare Promotional Strategies for IIC Funding and Activities																							
Execute Promotion Strategies for IIC Funding and Activities																							
Execution of IIC and USAID Approved Activities																							
Conduct Evaluations of IIC																					*		
Annual Promotion Plans Developed by Components I and II**																							
Annual Promotion Plans Executed by Components I and II***																							
Annual Budget and Implementation Plan Prepared and Approved																							
	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	1994	1995				1996				1997				1998				1999					

*Final Project Evaluation

**To be prepared with annual budget and implementation plans by each Component and jointly approved by the Grantee and USAID.

***To be executed by each Grantee and Component.

ANNEX G

PROJECT INFORMATION PLAN

USAID, the Ministry of Education (MOE) and CADERH will monitor the project to measure progress towards achieving objectives, to adjust project activities and implementation strategies, and to provide data for project evaluations. The Management Information Systems of Components I, II and III will provide data for project monitoring and evaluations.

I. MANAGEMENT INFORMATION SYSTEM

BEST Project personnel will be responsible for gathering the following information for their respective components in preparation for each semi-annual assessment of the project. This information will be utilized by the grantees, project personnel and USAID to monitor progress and adjust implementation activities and strategies as required.

A. Component I: Alternative Basic Education System (ABEDS)

The following information shall be provided to the MOE by ABEDS sponsors receiving assistance under the project (i.e. MOE, NGOs, municipalities, employers, businesses, cooperatives, etc.):

- ◆ Numbers of students entering the system by date, level, age, gender, geographic location;
- ◆ Numbers of students dropping out of the system by date, level, age, gender, geographic location, and ABEDS sponsor;
- ◆ Numbers of students taking, passing and failing MOE standardized tests by date, scores, level, age, gender, geographic location, and ABEDS sponsor¹;
- ◆ Numbers of students graduating from the system by date, level, age, gender, geographic location, and ABEDS sponsor;
- ◆ Annual budgets for recurrent costs by level, geographic location, and ABEDS sponsor; and

¹ A computerized data bank will also be established by the BEST staff to record student advances, thereby providing permanent records for students and allowing students to enter and leave the system as needed while obtaining credit for the levels mastered.

- ◆ Facilitators trained and working by age, gender, level of education, level of instruction, geographic location, and ABEDS sponsor.

Based on the information provided by ABEDS sponsors and other data, the MOE's Project Implementation Unit (PIU) staff will provide the following information to USAID for semi-annual monitoring purposes and external evaluations:

- ◆ Consolidate reports to provide comparative data on ABEDS by level, gender and geographic location, and types of ABEDS sponsors;
- ◆ Inventories and the distribution of educational materials such as texts, workbooks, flip charts, cassettes, by level, distributor (MOE, RTAC, etc.), date of distribution, use and condition, geographic location, and ABEDS sponsor;
- ◆ The execution of schedules and logistics plans for regional and local training sessions over the current semester for promoters, supervisors and facilitators; and
- ◆ Schedules and logistics plans for regional and local training sessions for the *next* semester for promoters, supervisors and facilitators.

B. Component II: Vocational Training with Basic Education VT/BE)

The following information shall be provided to CADERH by VT centers assisted under the project:

- ◆ Participants enrolled in training by date, trade area, job-entry or skill upgrading training, basic education level, age, gender, geographic location, and VT sponsor;
- ◆ Deserters by date, trade area and exit level, basic education level, job-entry or skill upgrading training, age, and gender;
- ◆ Completers by date, trade area and exit level, basic education level, job-entry or skill upgrading training, age, and gender;
- ◆ Graduates by date, trade area and exit level, basic education level, job-entry or skill upgrading training, age, and gender;

- ◆ Participants taking certification exams, results of exams, by date, trade area and exit level, basic education level, job-entry or skill upgrading training, age, and gender²;
- ◆ Job placement of deserters, annual completers, and graduates by date, basic education level, trade area and exit level, job-entry or skill upgrading training, area of employment (with match/mismatch of studies/employment), place of employment and salary after six, twelve, and twenty-four months of employment, age and gender;
- ◆ Instructors certified by level, date, trade area and exit level, age, and gender (and basic education level if applicable); and
- ◆ Annual budgets and the executed budget to date to show recurrent training costs, capital investments, production costs, and production income (gross and net), with a separation of basic education and VT costs.

Based on this information and other data, CADERH staff will generate the following information for its semi-annual assessments and for USAID external evaluations:

- ◆ Cost of participant hour of instruction by training centers for basic education and trade areas, with and without production;
- ◆ Administrative costs of training centers, with and without production;
- ◆ Repetition, desertion, completion, graduation, basic education graduates, certification, and job placement rates by training center, trade areas, job-entry or skill upgrading, age, and gender by training centers;
- ◆ The execution of activities, schedules and logistics plans for regional and on-site training sessions over the current semester for VT centers; and
- ◆ Activities, schedules and logistics plans for regional and on-site training sessions for the *next* semester for VT centers.

C. Component III: Policy Reform and Project Promotion (PRPP)

CADERH and the Inter-Institutional Committee (IIC) will provide the following information to USAID for semi-annual assessments and external evaluations:

² As under Component I, a computerized data bank will also be established by CADERH staff to record student advances, providing a permanent record of the achievements of participants and allowing participants to enter and leave the VT system as needed while obtaining credit for the levels mastered.

- ◆ Activities financed under the component (during the current year and previous years), costs per activity, anticipated impact, and the actual results and impact of the activity (whenever possible these results shall be disaggregated by the age, gender, socioeconomic level, and geographic location of beneficiaries); and
- ◆ Schedules and priorities for activities for the following year, and the anticipated impact of each activity.

II. EVALUATION PLAN

Staff in Components I and II will conduct semi-annual assessments during July and December of each year. CADERH will conduct annual assessments of Component III in December. In addition, external evaluations contracted by USAID will also be executed at the end of the second year and at the end of the project.

A. Component I: Alternative Basic Education System (ABEDS)

Semi-annual assessments will be conducted by the Director of the ABEDS Component with the collaboration and participation of USAID personnel. The semi-annual assessments and the project's two external evaluations will:

- ◆ Determine the extent to which Component I is meeting the planned End-of-Project Status (EOPS) indicators and is contributing to improved coverage, efficiency and quality of ABEDS;
- ◆ Evaluate the current status and accomplishments of each activity under the component, take corrective actions as required, and make recommendations for future actions the MOE should consider to achieve further improvements in the quality, efficiency and coverage of ABEDS;
- ◆ Determine the extent to which the recommendations and findings from previous assessments and evaluations have served to redirect project activities and priorities, and take corrective actions as required; and
- ◆ Evaluate the use of the project's educational materials and instructional strategies, take corrective actions as required, and make recommendations for future actions the MOE and the PIU should consider to improve student achievement and cost-effectiveness utilizing these educational materials and instructional strategies. Determine whether instructional strategies need to be modified in order to reach more female students.

B. Component II: Vocational Training with Basic Education (VT/BE)

Semi-annual assessments will be conducted by the CADERH long-term Technical Advisor with the collaboration and participation of CADERH and USAID staff. The semi-annual assessments and the project's two external evaluations will:

- ◆ Determine the extent to which Component II is meeting the planned End-of-Project Status (EOPS) indicators and is contributing to improved coverage, efficiency and quality of vocational training with basic education (VT/BE);
- ◆ Evaluate the current status and accomplishments of each activity under the component, take corrective actions as required, and make recommendations for future actions the grantee should consider to achieve further improvements in the quality, efficiency and coverage of VT/BE;
- ◆ Determine the extent to which the findings and recommendations from previous assessments and evaluations have served to redirect project activities and priorities, and take corrective actions as required; and
- ◆ Evaluate the use of the project's competency based training materials in training centers and make recommendations for future actions the grantee should consider to improve student achievement and cost-effectiveness utilizing these educational materials and strategies. Determine whether instructional strategies need to be modified in order to increase the number of female students.

C. Component III: Policy Reform and Project Promotion (PRPP)

Annual assessments will be conducted by the Inter-Institutional Committee (IIC) with the collaboration and participation of USAID personnel. The annual assessments and the project's two external evaluations will:

- ◆ Determine the extent to which Component III is meeting the planned End-of-Project Status (EOPS) and is contributing to improved coverage, efficiency and quality of education and training;
- ◆ Evaluate the current status and accomplishments of each activity under the component, take corrective actions as required, and make recommendations for future actions, including new policy studies; and
- ◆ Determine the extent to which the findings and recommendations from previous assessments have served to redirect project activities and priorities, and take corrective actions as required.

II. BENEFICIARIES

Achieving higher levels of basic education and receiving vocational training contribute to higher incomes for less privileged sectors of society. Components I and II will target low income, unemployed and underemployed sectors for basic education and skills training, and Component III will provide a mechanism to encourage policy dialogue and promote project activities to achieve wider coverage, greater efficiency and equity in education and training.

A. Component I: Alternative Basic Education System (ABEDS)

The beneficiaries of the Basic Education Component will be unemployed and underemployed, out-of-school youth and adults. The project will target young people from approximately 14-29 years of age, to provide longer-term benefits for basic education investments and help reduce the growing numbers of illiterate and less educated young people who are not able to complete primary school (about 30% of the twelve year old population and 50% of the population 15 years of age and older).¹

Interactive Radio Instruction, cassettes, individualized instructional materials, and training for facilitators will be used by the implementors of this component to reach dispersed men and women in rural areas and expand basic education opportunities. For urban sectors, more traditional accelerated educational opportunities will be expanded by the MOE to meet the basic education needs of urban populations. In addition, the MOE and other ABEDS sponsors will use interactive radio, cassettes, individualized instructional materials, and trained facilitators to meet the basic education needs of out-of-school youth and adults who cannot participate in the more traditional accelerated educational opportunities offered by the MOE in urban areas.

Based on previous experiences with interactive radio and accelerated basic education programs, approximately 50% of the beneficiaries will be female, with both genders obtaining equal participation in alternative basic education programs. Data from the Planning Secretariat's (SECPLAN) Household Surveys over the past seven years indicate that economically active participants will receive average increased earnings of about \$100 annually after completing each of the five levels of the alternative delivery system.

B. Component II: Vocational Training with Basic Education (VT/BE)

Vocational Training (VT) has demonstrated its ability to enhance employment opportunities and the earning power of less privileged sectors of society. Past experiences have also demonstrated higher levels of cost-effectiveness and higher job placement rates among vocational training programs sponsored by NGOs and municipalities. Formal vocational

¹ While the percentages of illiterate individuals and those who have not completed primary school have been reduced significantly over the past decade, population growth has resulted in having larger numbers of illiterates among the population of 14 to 29 years of age than among the economically active population over the age of 30.

training, however, often restricts the participation of lower income groups because of the academic requisites required for enrollment.²

The VT/BE Component will build upon these experiences by limiting its investments to vocational training programs managed by NGOs and municipalities, which agree to utilize ABEDS and are located throughout the country in both rural and urban areas. In this manner, the project will reach more of the rural population, rather than limiting vocational training opportunities to urban areas where GOH formal vocational training opportunities tend to be concentrated.

While female participation in the labor force is only 20%, total female participation for the VT/BE Component is projected to be approximately 35%. The Project will increase female participation in existing NGO and municipal training centers from 20% currently, to 30%, with the goal of 40% female participation in the fifteen new centers that will be established or remodeled by the project. While 70% of vocational instructors are male, more female instructors will be hired by the training centers, thus encouraging increased enrollment of female students. Increased female participation will also be achieved by encouraging NGOs and municipalities to offer less traditional training programs, which tend to have lower gender biases against females.³

Based on experiences with the predecessor CADERH Project, it is anticipated that participants will obtain improved employment opportunities and receive average increases in annual earnings of at least \$440 as a consequence of receiving vocational training.⁴ Enhanced earnings for males may be somewhat higher than those for females because of traditional gender biases in Honduran society, with females receiving incomes that are approximately

² The employment expectations of better educated students enrolled in GOH-sponsored formal and nonformal vocational training programs are often much higher than the expectations of graduates from PVO and municipal training centers. Graduates from GOH-sponsored centers, particularly formal training centers which provide a high school diploma, are often not satisfied with a career as a mechanic, seamstress, welder or carpenter but seek white collar employment. In contrast, the young people and adults who complete training programs with PVO and municipal training centers are from lower income families and are much more interested in practicing these trades over their lifetimes.

³ New and emerging trades for the apparel, food processing, and electronics sectors tend to enroll much higher percentages of females than the more traditional trade areas of welding, woodworking and mechanics. VT centers supported by BEST will promote training for these new and emerging trades to encourage increased female participation.

⁴ Average annual income increases for VT graduates under Project No. 522-0257 were approximately \$1,000. Based on a minimum annual wage of approximately \$560 and previous experiences, annual incomes should increase to approximately \$1,000 as a consequence of nonformal vocational training, for an average net annual income increase of \$440. However, it is anticipated that the majority of the participants will be underemployed and unemployed youth and adults with annual incomes below the minimum wage, and annual income increases will probably be more significant than the projected average of \$440 as a consequence.

25% lower than the earnings of males.⁵

C. Component III: Policy Reform and Project Promotion (PRPP)

This component will encourage policy dialogues to improve the coverage, equity, quality and efficiency of education and training. The beneficiaries will be the sectors of the population that have limited access to education and training.

III. PARTICIPATION

Training opportunities will be promoted through MOE, NGOs, municipalities, and the public media. Emphasis will be placed on female participation, dispelling cultural biases which impede female participation in vocational training programs. The admission of women in typically male-dominated training centers such as the Centro Universitario del Litoral Atlántico (CURLA) in La Ceiba and the Escuela Agrícola Panamericana at Zamorano demonstrate that parents accept female participation in traditionally male-dominated programs.

A. Component I: Alternative Basic Education System (ABEDS)

NGOs and municipalities were consulted and involved in the design of the component. Experimental work in developing alternative delivery systems with the municipalities of Puerto Cortés and Omoa, churches and other entities began during 1994. These experiences will guide implementation activities as the project expands alternative basic education opportunities to a national level.

B. Component II: Vocational Training with Basic Education (VT/BE)

NGOs and municipalities were consulted during the design of the vocational training component. Over twenty-five NGOs and municipalities have indicated that they are prepared to compete for financial and technical assistance to establish fifteen additional VT centers in Honduras.

C. Component III: Policy Reform and Project Promotion (PRPP)

The MOE, private and labor sectors have often requested USAID's assistance on policy issues. This component is designed to provide modest levels of funding to respond to these needs.

⁵ See data from SECPLAN Household Surveys (1988-94).

IV. SOCIO-CULTURAL FEASIBILITY

A. Component I: Alternative Basic Education System (ABEDS)

The MOE has administrative and financial limitations which make it difficult to assume all of the responsibilities for implementing and financing a national alternative basic education system, and the resultant massive increases in basic education enrollments. To avoid placing unrealistic burdens on the MOE, project funded efforts will help it enlist the participation of NGOs and municipalities for most of the expansion of the system, with the MOE providing training for teachers/facilitators, educational materials, and a national evaluation system.

These activities are manageable for the MOE and will build upon the successful experiences of the Primary Education Efficiency Project in teacher training, the development of educational materials and evaluation. (It should be noted that MOE officials working with the PEEP Project have received specialized training in developing gender balanced materials, and that publication of new materials is approved by the Congressional Commission for Women's Issues.)

B. Component II: Vocational Training with Basic Education (VT/BE)

This component will be managed by CADERH, which has demonstrated its technical, administrative and managerial capabilities in working with NGO and municipal training centers over the past decade. While some adjustments have been made in project implementation guidelines based on experiences under the previous project with CADERH, including the introduction of ABEDS, most of the project implementation norms utilized under the previous project have been incorporated into the design of the VT/BE Component. Consequently, CADERH should not encounter difficulties in implementing the activities contemplated under this component.

C. Component III: Policy Reform and Project Promotion (PRPP)

This component will be managed by an Inter-institutional Committee (IIC) which will include the MOE, private and public sector training and educational institutions, the private and labor sectors, and USAID. Making relatively small disbursements by USAID or the MOE under this component would be administratively cumbersome, given the modest levels of funding of the component and the variety of activities anticipated. To facilitate its management, CADERH will serve as the disbursing agent to finance activities which have been previously approved by USAID and the MOE.

V. IMPACT

As noted above, the project should achieve 50% female participation in basic education activities and 35% in skills training opportunities. Ideally, females would be able to achieve 50% participation in vocational training programs as well, but traditional gender biases in a male dominated (80%) workforce, with females accounting for only 20% of the labor force, cannot be changed rapidly. The VT/BE Component, however, will achieve higher levels of female participation by encouraging training in trades which tend to enroll higher percentages of women. Women who have enrolled in non-traditional trades will receive special encouragement from VT instructors, in an effort to avoid desertion.

It would also be ideal for the project to meet the basic education and skills training needs of all the population of Honduras. Ethnic minorities, however, account for 5% of the population (about 275,000 people), and the MOE, the other ABEDS sponsors, and the NGOs and municipalities implementing the VT/BE Component will not be able to provide instruction in languages other than Spanish (although it is anticipated that the World Bank may provide resources for the MOE and other entities to meet the basic education and skills training needs of ethnic minorities.) BEST-funded efforts will focus on providing expanded alternative basic education and vocational training opportunities for the Spanish speaking population of Honduras (95% of the total population).

The sustainability of activities under Components I and II is virtually assured with NGOs and municipalities contributing to the financing of these activities, thereby reducing financial pressures on the GOH and CADERH to finance all the recurrent costs of basic education and vocational training in the future. In addition, a modest endowment fund will be provided with project grant funds to ensure that CADERH will be able to provide continuing technical assistance, training and support to NGO and municipal VT centers for a period of approximately 20 years.

Component III was not designed to become a sustainable activity. Rather, its purpose is to introduce policy reforms over the short-term and encourage policy changes which will result in the improved use of existing resources, and to provide opportunities for other donors to assist the GOH and other entities in implementing policy changes over the longer-term. Similarly, project promotion activities will only be executed over the life of the project. As a consequence, no provisions have been made for the sustainability of this component.

VI. ISSUES

While it can be anticipated that policy dialogue may cause negative reactions from special interest groups, the PRPP Component is designed to involve training and educational institutions, the private and labor sectors, and the MOE. Consequently, policy positions should not be associated with a single entity (GOH, MOE, USAID, or CADERH) or a specific sector, but with various entities and sectors which will strive to reach a consensus in

promoting policy reform, examining and testing alternatives, promoting progressive change, and encouraging more equitable, higher quality and more efficient education and training for the benefit of the majority of the population of Honduras.

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ANNEX I

TECHNICAL ANALYSIS

I. Component I: Alternative Basic Education Delivery System (ABEDS)

The proposed technical interventions of Component I of the Basic Education and Skills Training (BEST) Project are technically sound as designed. The basic strategy and rationale for delivering basic education to out-of-school youth and adults is also sound. Component I builds directly on the experience and expertise of the USAID-supported Primary Education Efficiency Project (PEEP) (Project No. 522-0273). Under PEEP, the number of children completing the sixth grade has increased by 60% since 1986 when the project began. Significant reductions have also been achieved in dropout and repetition rates. The school years of enrollments required to produce a sixth grade graduate were reduced from 11.49 years in 1986 to 9.66 years in 1993. Achieving increased numbers of primary school graduates has favored children from lower income sectors; the projected increases in earning potential as a consequence of having completed primary school will exceed \$20 million annually for these children as they enter the labor force.

Since its inception in 1986, PEEP has printed and distributed textbooks and self-instructional materials for all six grades of primary school. More than fifteen million textbooks and other educational materials have been developed, printed, and distributed by the project. Primary school teachers have been trained to use the project's minimum learning objectives (Rendimientos Básicos), and to make use of criterion-referenced testing instruments. Innovative uses of interactive radio instruction (IRI) have proven to be instructionally sound and cost-effective in delivering basic education to people who for a variety of reasons prefer to study in their own homes or in small, informal learning groups.

These inputs developed under PEEP will have a considerable impact on the Ministry of Education's adult basic education programs:

- ◆ new textbooks, based on the Rendimientos Básicos will replace materials that are frequently out-dated and of questionable relevance to out-of-school youth and young adults;
- ◆ criterion-referenced tests will replace subjective measures of student performance;
- ◆ teacher training will be systematic, continuous, and guided by the Rendimientos Básicos; and
- ◆ alternative mechanisms such as interactive radio instruction will be used and improved to provide sound and cost-effective means of delivery.

The MOE staff under the PEEP has also developed considerable institutional capability. It has demonstrated its ability to design, implement, monitor and evaluate education programs. PEEP has developed significant skills in accounting, financial management, and management information systems; thus, the use of PEEP personnel to form the implementation unit for the Ministry of Education's new initiatives in adult education takes advantage of PEEP's considerable pedagogical and administrative expertise. Moreover, by adapting resources that have been previously developed by PEEP, the use of these resources will be extended, and the costs of Component I inputs thereby reduced.

A. Technical Feasibility of the Principal Inputs

1. Development, Publication and Distribution of Textbooks and Materials

PEEP has developed Standard Learning Objectives and Standard Indicators of Evaluation for all six levels of primary education. Component I of the BEST Project will capitalize on these resources by modifying and adapting objectives, content, exercises and testing instruments to the needs of adult learners. The process of adaptation will be greatly facilitated by making extensive use of the *Rendimientos Básicos de Mayor Complejidad* (Higher Order Learning Objectives). The higher order objectives will guide curriculum designers and textbook writers in choosing essential and appropriate content for an audience of out-of-school youth and young adults. Textbook writers will also draw upon and adapt the printed materials that have been produced by the LearnTech Project in Interactive Radio Instruction. The materials for adult learners will be field tested and evaluated by the MOE Project Implementation Unit for effectiveness and attractiveness. Finally, the participation of RTAC, as a supplementary part of the book distribution system is feasible. RTAC has established a record as a reliable and efficient organization, and RTAC's participation will improve the methods of reaching adult learners with printed materials.

2. Teacher Training

Under PEEP, teacher's guides which provide guidance on how to use the project's minimum learning objectives were developed, printed and distributed. Teacher training conducted by project personnel and USAID's former Peace Scholarship recipients has continued with excellent results.

As a principal input to Component I of the BEST project, approximately 25 Peace scholarships will be awarded to selected Ministry of Education and NGO personnel. The recipients will receive training in modern methods of adult education, especially in the techniques of training group facilitators. These recipients will form the nucleus of a group of teacher trainers who will concentrate, for the first year of the project, on training facilitators

and promoters in the areas of Valle and Choluteca.¹ In addition, some of the best teacher trainers from non-governmental, private and church-related organizations will be chosen by the Ministry of Education to serve as teacher trainers.

3. Criterion-Referenced Testing

The feasibility of criterion-referenced testing has already been demonstrated under PEEP. Based on the Rendimientos Basicos, it is a feasible way to measure student achievement in a fair, democratic and objective manner. Criterion-referenced tests do not discriminate against a student on the basis of appearance, gender or socioeconomic status. Criterion-referenced testing for the placement and self-diagnosis of adult learners will be used by the BEST Project staff on a carefully controlled basis in selected target areas in the departments of Valle and Choluteca. Once the testing system is working properly it will be expanded to other training sites with the assistance of BEST staff.

4. Alternative Components

The Interactive Radio Instruction Component of PEEP has been thoroughly evaluated by a number of researchers over the past two years. In the January 1993, evaluation, for example, researchers Swanson, McKenna and Corrales noted that Interactive Radio Instruction in the Department of Francisco Morazán was well designed and executed in technical preparation and production of radio lessons for adult literacy programs by radio. The IRI component was found to be "feasible within an experimental pilot project context and under rigorous methodologies as presently administered." As part of Component I, BEST staff will use radio on a pilot basis in Valle and Choluteca. These communities have already begun experimentation with radio under PEEP.

5. Role of Non-Governmental Organizations

Based on findings from a survey of non-governmental organizations (NGOs) carried out by a U.S. consulting group, the Education Development Center (EDC) in June 1994, the participation of NGOs is feasible. All the NGOs interviewed are interested in participating in the BEST Project. They are all willing to collaborate with other participating organizations, and can provide administrative and financial support for sustaining the program. Finally, all the NGOs affirmed that they would be able to mobilize community resources to contribute to the long-term support of the project. The Mission estimates that there will be up to 24 NGOs participating in the project.

¹Valle and Choluteca were chosen by the MOE as the initial target areas for the project because of the high illiteracy rates and large numbers of out-of-school youth who could benefit from an alternative basic education system. In addition, these departments have large populations of low income families and successes in these two departments should be relatively easy to transfer to other departments as a national alternative basic education delivery system is developed.

6. Role of Municipalities

Based on the same survey noted above, municipalities are also interested in participating in the BEST Project. Municipal laws in Honduras support collaboration with non-governmental and other organizations. Municipal authorities interviewed said they would be able to contribute to the administrative costs of sustaining the project.

The promise of participation and financial support by two municipalities, Puerto Cortés and Omoa, lends considerable strength to the argument that municipal participation and support of adult education is feasible and valuable.²

Nevertheless, given that municipalities are still generally weak and their financial situation unstable, the BEST Project will work first on a pilot basis with the municipalities of Puerto Cortés and Omoa. Once a workable methodology is established, the project will expand to other interested municipalities. The project may work with up to 12 municipalities.

7. The Role of the Business Community

All of the business organizations interviewed in the June 1994 survey expressed interest in collaborating with a program dealing with alternative delivery systems for adult education. All of the business organizations were very interested in participating in the project, and all of them stressed the importance of working together with NGOs and the public sector. The business organizations stated that they could support some of the recurrent costs of the programs, especially those related to administrative costs. There was a general feeling that strategies could be found to balance these costs among private and public sector participants.

In summary, the four principal inputs, textbooks and other printed materials, teacher training programs, criterion-referenced testing instruments, and alternative media components are technically feasible, based on previous experience with similar inputs developed under PEEP.

It is also technically feasible, based on the field survey carried out in June 1994, to incorporate non-governmental organizations, private voluntary organizations, municipalities and the business community into the development and implementation of a program of adult basic education.

II. Component II: Vocational Skills with Basic Education (VT/BE)

The proposed interventions under Component II are technically sound as designed, and the basic strategy and rationale for delivering instruction to the more disadvantaged sectors of the population is sound. Traditionally, the most difficult training-related problems are associated

²Puerto Cortés has signed an agreement with the MOE to provide L4 million in financing alternative basic education delivery systems for out-of-school youth and adults. Omoa has also signed a similar agreement with financing provided by the Central American Bank for Economic Integration.

with the less privileged sectors of the population. Project Component II builds directly from the considerable experience gained through USAID Project No. 522-0257. At the time of its inception, the Advisory Council for Human Resources Development (CADERH) was unique in its approach to donor-assisted training projects. The major leadership role was vested in a Board of Directors composed of private sector members; training was delivered through Private Voluntary Organizations (PVO) and municipal nonformal vocational training centers; the target group was youth and adults from the poorest sectors of Honduran society; a competency-based, flexible, open-entry/open-exit training and certification system was instituted; and teachers and school administrators were trained.

Over the life of Project No. 522-0257, CADERH contributed to the training and retraining of over 22,000 individuals; assisted in the establishment of 15 vocational training centers serving over 3,000 low-income youth and adults annually; trained over 130 instructors and administrators; developed certification exams and competency-based instructional materials for 40 trades and sub-trades; and distributed more than 200,000 low-cost, high-quality training materials. A model vocational training center was also constructed in San Pedro Sula by CADERH.

Project Component II strengthens the existing VT centers, establishes new centers, and will extend training opportunities to at least 8,000 individuals annually by the end of the project. Moreover, through Project Component I, basic education instruction is integrated with skills training.

CADERH has developed considerable institutional capability and demonstrated its ability to successfully design, implement, monitor, and upgrade nonformal training programs. The use of CADERH to implement Project Component II makes full use of the considerable capacity that this organization has developed over the past decade. As in Component I, by using resources that have been previously developed under CADERH, such as competency-based instructional materials and certification examinations, not only is the use of these resources extended, but the cost of Component II inputs is reduced.

A. Continuing Activities

The current centers are operating effectively with student retention rates of 84%, job placement rates of 87%, and a recorded 92% rate of return on the direct cost of entry level job training. However, the end of project evaluation report noted that some recapitalization was needed along with the updating of instructional materials and the training of instructional staff and administrators. Machinery and equipment has become worn, tools need replacement, and newer technologies should be introduced in some areas. The evaluation report also recommended the modest upgrading of these training centers.

Project Component II budgets \$320,000 over the life of the project to support the physical upgrading of up to 16 of existing VT centers previously assisted by CADERH. Moreover, under Component II USAID will use grant funds from its contribution to BEST to establish an endowment fund to provide continuing technical assistance and training to personnel of the current and new centers. These interventions will improve the quality of training and enhance the ability of individual centers to generate income through production activities.

B. New Activities

A major activity of Component II will be the construction or remodeling, and equipping of 15 additional self-sustainable training facilities. The standardized, modular building design makes use of low-cost, local materials; procurement will be centralized; and construction supervised by USAID and CADERH. Each classroom/workshop module includes a large bay where practical work and production activities can be centralized, a classroom area and offices at one end, and tool and material storage areas at the other end. This design has been previously used and proven to be functional and economical.

New centers will be fully equipped and provided with instructional materials and audio visual equipment. Basic education materials and media developed through Component I will be available to VT center participants. Additional new technical areas, such as food processing, tourism and industrial electronics will be introduced by CADERH. In addition, two proposed centers (Fundación Polígono Industrial and Universidad Tecnológica Centroamericana) intend to function as business incubators, and a program similar to the U.S. Junior Achievement Program is also included for the VT centers. These curricular additions are designed to accommodate changing training priorities, provide students with a more flexible set of skills, and help enable individuals to establish their own businesses. Entrepreneurial training is particularly important because in the future some of the best employment opportunities will probably be through self-employment.

C. The Instructional System

CADERH has developed an extensive competency-based instructional system with instructional materials and certification examinations in over 30 trades and sub-trades. This system will be implemented in the new VT training centers. In addition, project activities will support upgrading of the system. The final evaluation of Project No. 522-0257 noted that minor revisions and the addition of new training materials would improve what is already a good training system. Changing technology and instructional priorities require changes in the delivery of instruction.

The Competency-Based Instruction (CBI) system developed by CADERH is particularly effective with the less-advantaged training population served through the VT centers. Reading is kept to a minimum; vocabulary is controlled; balance is maintained between theory and practice; instruction is delivered in short, focused increments; there is direct instructional application to work; students can progress at their own pace; and performance

standards are clearly specified. Instruction results in explicit outcomes that directly relate to employment and income potential.

Project Component II will support timely revisions to the CBI instructional system, add selected new materials, and supply additional instructional materials, such as video. The user population will also be more than doubled with the addition of the new centers. However, during the implementation of this component, it will be very important for CADERH to assure that training materials are available to the centers when needed, and that in-service training is provided to inexperienced teachers. As the final project evaluation report noted, deficiencies in the current instructional system are due mainly to a lack of resources in some centers, and to the quality of classroom instruction and management, and not to the design of the CBI system or to the quality of materials.

One particularly effective element of the CBI system used in the VT centers is the integration of production with instruction. In addition to the financial benefit of recovering a substantial part of direct instructional costs (approximately 40%), production activities are probably the most effective means for training poor youth, unemployed school-leavers, and disadvantaged adults. There is a direct link between studies and work, and students are not constrained by the lack of academic skills. At the same time, production activities are an effective way to teach related academic and theoretical instruction. Students are rotated through a series of production activities designed to correspond to specific lessons.

D. Staff Training

The training centers experience continuous staff turn-over at both the administrative and instruction levels because of relatively low salaries. For this reason, it is essential to establish an ongoing staff training program. One "gap" in the previous development strategy was the lack of a mechanism to provide continuing assistance to training centers after the end of the project (522-0257). CADERH functions as an important mentor, and while the level of services can be modest, it is important that they be available on an ongoing basis. The BEST Project endowment will enable CADERH to provide continuing technical assistance and training for the personnel of the existing and new centers. This is a crucial element in the project design and will assure continuing technical assistance and training for the participating NGO and municipal training centers.

Training should focus on at least the following:

- ◆ Management training for instructors in both instructional management and classroom management. Such training is probably required on an annual basis because of staff turn-over. Three primary areas to be covered are use of the CBI system; management of the physical resources, such as tools, materials, and equipment; and shop maintenance, tool storage and safety.

- ◆ Management training for administrators in such areas as management of the physical resources, including the use of maintenance schedules; CBI system management; and management of production activities, including marketing.

One strategy to consider is the development of CBI modules for the training of instructors and administrators.³ In this way, the instructors and administrators will be introduced to the CBI concept through the materials used while undergoing training. It is also cost-effective, the knowledge base is codified, and the delivery of instruction is flexible. Modules can be used by individuals, centers or group training sessions.

E. Importance of NGOs

Typically, NGOs can deliver training more cost-effectively than public (GOH) training systems. There is a high level of commitment, considerable institutional flexibility, low unit training costs, and close community involvement. In the case of Component II, there are strong incentives for participating NGOs to work closely with CADERH because by so doing they are protecting and extending the benefits of their own considerable institutional investment.

International experience has also demonstrated that NGOs are more effective in delivering training to the less privileged sectors of the population. Students of VT are not constrained by academic requirements unrelated to job preparation; the objectives of instruction are more directly related to the interests of participants; instruction is more directly tailored to individual differences; and there is an immediate and direct relationship with job placement. Experience with Project No. 522-0257 shows that shortly after completing training, individuals have an employment rate of 87% in the field in which they were trained.

F. Alternative Basic Education Delivery System (ABEDS)

The population to be served through Component II generally has weak basic academic skills. The ABEDS educational materials can be used in an unobtrusive way to complement skills training. The mix of 80% technical and 20% basic education seems reasonable. The lack of good basic skills prevents individuals from successfully completing vocational training as well as progressing on the job. Adequate labor force preparation requires a good grounding in basic education skills.

³This training has been delivered in a comparatively traditional format: lectures; followed by applied practice. However, by using CBI modules for this training CADERH should be able to better promote the CBI philosophy and facilitate the adoption of CBI by instructors and administrators.

G. Business Development

Among the potentially more important elements to be introduced through Project Component II are the business development activities. While a business incubator program is only anticipated to be introduced in two VT centers, USAID and CADERH should leave open the possibility of introducing business development concepts in other centers. The introduction of Junior Achievement type activities should also prove beneficial and open the way for the development of additional curriculum elements. Business development training is a natural companion to production activities.

Many VT students already start their own businesses, mainly after working for a period of time with a small employer. However, a major constraint which results in limited success, and sometimes failure, is the lack of business skills. Technical skills alone are not sufficient. The combination of training in technical and business skills will enhance the ability of individuals to succeed on their own. One of the most promising sources of future employment generation is entrepreneurship.

III. Component III: Policy Reform and Project Promotion (PRPP)

The proposed interventions of Component III of the BEST Project are technically sound as designed. The basic strategy and rationale for promoting the project and exploring policy issues are also sound.

Component III builds directly on the experiences gained and lessons learned from the PEEP and CADERH projects.

There are many possible reforms and policy changes which would improve the efficiency and quality of basic education and vocational training. USAID's PEEP Project conducted several studies which contributed to policy decisions on improving the efficiency and quality of primary education. Two of the most noteworthy policy decisions were to provide additional teachers to attend first grade students in single room, multigrade schools, and the expansion of the primary education system to include pre-school education.

The CADERH project introduced alternative financing mechanisms for vocational education. It integrated production activities with instruction, resulting in the recovery by NGOs and municipal training centers of approximately forty percent of their recurrent costs. This process contributed to the project having some of the most cost-effective training programs with the highest rates of return in the region.

Experiences in the region have also shown that strategic interventions coupled with modest investments in research, experimentation with new strategies, short-term technical assistance and observational travel, can result in major policy changes and contribute to significant improvements in the efficiency, quality and coverage of human resource development efforts,

with concomitant leveraging of additional funding from other sources.⁴ The policy component of the BEST Project will provide support for these initiatives.

A. Technical Feasibility of the Principal Interventions

1. Decentralization of Education and Training

The Government of Honduras' plan for the modernization of education includes a recommendation to decentralize education and training to increase responsiveness and accountability. Decentralization is a controversial issue and many educators fear its anticipated consequences. A significant body of educational research and considerable global experience tell us, however, that high quality educational opportunities must have community support. For instance, the authors of Delivering Basic Education Through Alternative Means: Lessons Learned and Literature Review tell us that "The current keen interest in community schools acknowledges the failures of government schools that fail to develop community ties. Yet, the extent to which community schools can be sustained with less reliance on government—and foreign—resources remains to be seen."

Thus, there is clearly a need for additional research on decentralization and the prospects for long-term sustainability. Moreover, observational travel to Mexico, Chile, Colombia and the United States would give influential educators a balanced view of the effects of decentralization. The Honduran educational system needs well-informed advocates for decentralization and modestly-funded educational travel is a feasible means to stimulate such advocacy.

2. Establishment of Standardized Evaluation Criteria

The feasibility of criterion-referenced testing has already been demonstrated under the Primary Education Efficiency Project. Short-term technical assistance and observational travel to observe other educational systems which have established minimum learning objectives and criterion-referenced tests are low-cost and feasible interventions. Honduran educators can observe and evaluate concrete, verifiable learning situations that can be adapted for use in Honduras.

3. Alternate Sources of Funding

The survey of non-governmental organizations, municipalities, and businesses carried out by the EDC in June 1994 demonstrated that many of these organizations are willing to provide financial and administrative support for basic education. Additional research on employer

⁴ LAC/DR/EHR is also encouraging Missions to include policy components in education and training projects because of the high potential impact these activities can have on education and training systems. (See Norman Rifkin. "Education and Human Resources Development in Latin America and the Caribbean: Problems and Perspectives for the Nineties." Washington, DC: USAID/LAC/DR/EHR, 1993)

incentives, especially tax-based incentives, will be valuable in stimulating employers to explore innovative ways to train current and potential employees at a reasonable cost.

In summary, the proposed interventions for exploring policy issues in decentralization, standardized testing and alternate sources of funding are technically feasible.

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ANNEX J

ADMINISTRATIVE ANALYSIS

I. Component I: Alternative Basic Education Delivery System (ABEDS)

The basic education component of the BEST Project will involve several different entities in the provision of basic education for out-of-school youth and adults. These entities include the Ministry of Education (MOE), non-governmental organizations (NGOs), municipalities and the business community.

This administrative analysis will examine the management, staffing and organizational experience of the intended participants. The analysis will also consider the major administrative alternatives available under the project.

A. Assessment of Capabilities

1. Ministry of Education (MOE)

The Ministry of Education (MOE), through its Division of Literacy and Adult Education has had previous experience in managing adult basic education programs. The MOE's principal activities include:

- ◆ An accelerated primary program that employs primary school teachers and primary school textbooks. The program is offered through night classes that are usually held in urban areas.
- ◆ Functional literacy programs that offer basic reading and writing skills, often in preparation for advanced placement into an accelerated primary program.
- ◆ Training programs that offer courses in dress-making, carpentry and other practical skills.
- ◆ An interactive radio project carried out by LearnTech and COEDUCA on an experimental basis in the Department of Francisco Morazán and three other Departments.

The MOE's efforts have had only a modest impact in increasing the educational achievement of out-of-school youth and adults. In 1994, it is estimated that the MOE enrolled about 60,000 students in all of its adult education programs. The potential clientele for these programs is estimated at 1,400,000.

With the new policy guidelines contained in the Plan Nacional de Educación de Adultos, and with the promise of increased financial assistance from several donors, the MOE will improve and expand its programs in adult education by collaborating with NGOs, municipalities and other entities to provide greater choice and greater flexibility in basic education. The principal tasks that the MOE faces in planning and managing alternative approaches to basic education are well summarized by the authors of "Delivering Basic Education Through Alternative Means."¹

Research and evaluation studies highlight the need to plan ahead for implementation. At present, however, the MOE's planning and management capacity is limited in the following areas:

- ◆ Weak control of enrollment, attendance, rates of desertion, pass/fail rates, personnel records and other quantifiable elements of educational administration.
- ◆ A supervisory system with insufficient personnel. Supervision fails to provide teachers and facilitators with timely and helpful information and advice.
- ◆ Arbitrary and often irrelevant methods of student placement and examination.
- ◆ Limited training for teachers, promoters and facilitators.
- ◆ Weak linkages with other educational institutions including vocational education institutes and the pedagogical university.
- ◆ Inadequate delivery systems for the distribution of textbooks, teachers' guides and other instructional materials.

In short, the MOE's traditional adult education system has had low levels of coverage, unreliable delivery systems, inadequate information management systems, and lack of direction in training and supervision.

Under the ABEDS Component of BEST, the MOE will seek to address these problems by establishing a project implementation unit (PIU) that will be responsible for carrying out the objectives set forth in the National Plan for Adult Basic Education. This unit will be under the supervision of the Vice Minister for Technical Affairs and Technical Committee which will include the Directors of Planning, Literacy and Adult Education, Primary Education and Secondary Education. The MOE will provide the PIU with office space, materials, staff and other resources to carry out its mission. The MOE will locate the PIU at the current site of the Primary Education Efficiency Project (PEEP), so that PEEP writers, editors, evaluators,

¹ Education Development Center (EDC), "Delivering Basic Education Through Alternative Means: Lessons Learned and Literature Review" (Washington, D.C.: Report Prepared for USAID/Honduras; Contract No. 522-9105-C-00-3475-00; 1994).

management information specialists and teacher trainers will be able to contribute their expertise to the new initiatives in adult basic education in a direct and immediate manner. The implementation unit will also assume responsibility for planning and management at the regional, municipal and community levels by collaborating with officials at each level in providing resources and devising appropriate methods of organization, instruction and evaluation. Thus, by drawing on the experience and expertise of PEEP personnel in several key areas, the MOE will remedy many of its current shortcomings in programmatic areas such as teacher training, materials production, use of alternatives such as radio broadcasting, and tests and measurements.

PEEP will also provide much needed expertise in strengthening the MOE's Management Information System (MIS). The MOE needs reliable methods for gathering, analyzing, presenting and storing the following types of information:

- ◆ Number of students entering the system and number of students leaving the system.
- ◆ Number of students taking, passing, and failing primary certification examinations.
- ◆ Inventory systems for textbooks, other printed materials, and audio cassettes.
- ◆ Schedules and logistics plans for regional and local training sessions for promoters and facilitators.

There will no doubt be many other MIS needs. The four categories of needed information listed above are merely illustrative. See Annex G "Project Information Plan", for further details on the variables to be monitored under BEST.

Management information system specialists in the PEEP Implementation Unit who have gained experience with PEEP will also be able to advise the MOE on methods for assisting NGOs and municipalities to provide timely and accurate information about the activities that take place in the field on a continuing basis. A well-designed MIS system will be invaluable to the MOE in carrying out continuous self-assessments in such areas as pre-testing of textbooks and other printed materials; formative evaluations of curriculum, methods of teaching, and the efficiency of the distribution system; formative evaluations of teacher training and subsequent performance; gathering of feedback from participants about their attitudes toward a new system of basic education; and program evaluations at the end of each cycle or each calendar year. The actual design of the MIS for adult basic education will be modeled after and adapted from the PEEP MIS for Primary Education.

2. Non-Governmental Organizations, Municipalities, and the Business Community

The administrative analysis of NGOs, municipalities and the business community is based to a considerable extent on a survey of these three groups carried out by the EDC in Honduras in June 1994. The survey was conducted by two experienced researchers over a three-week period. The interview schedule consisted of open-ended questions covering four main areas: existing programs, characteristics of participants, interest in participating in the BEST Project, and the ability to make financial contributions toward the sustainability of programs developed under the project.

a. Non-Governmental Organizations (NGOs)

Fifteen NGOs were surveyed. The criteria for selection were involvement with the target population and range of activities. All but two of the fifteen organizations were involved in literacy education. Eight are currently working with the MOE to provide primary equivalency to adult learners, and four are delivering educational content to adults through radio broadcasting. These organizations use community buildings such as schools, health centers, or private homes as facilities for carrying out their programs. Their methods include posters, flip charts, blackboards, and, in some cases, books, chalk, pencils and notebooks. All of the NGOs rely on volunteers to provide instruction. Incentives for the volunteers, facilitators or monitors are the training they receive, and in some cases, food and clothing supplied by the respective NGO. Where NGOs are working with the MOE in the primary school equivalency program, the facilitators are paid a salary.

All the NGOs interviewed expressed interest in participating in the BEST Project, and said they would be willing to collaborate with other participating organizations. Most of the NGOs thought that primary school certification would be an incentive for beneficiaries, although several stated that certification was beyond their organizational goal of improving adult literacy. All, however, felt that they could provide administrative support for sustaining the program and could mobilize community resources to contribute to the long-term support of the program.

In short, among the NGOs there is a wide range of managerial experience -- some have their own text materials, and are somewhat narrowly focused, while others are broader in their approach to adult education; some tend to reach young adults, while others tend to have audiences that are mainly in their thirties and forties; some pay volunteers a very modest stipend, while others rely almost entirely on volunteers. Despite their differences, almost all the NGOs need stronger programs of monitor/facilitator training, stronger supervision at the community level, more sophisticated means of diagnosing the needs of their clients, and administering tests and examinations.

b. Municipalities

Representatives of ten municipalities were interviewed. None of them had literacy or primary education equivalency programs for adults. Several, however, were planning programs of this type. All of the municipalities interviewed expressed interest in participating in the BEST Project. Those interviewed felt that radio, self-instructional materials, and the training of instructors were important aspects of the program. Primary school certification was felt to be an incentive for the respective populations of the municipalities. Many respondents stated that municipal laws in Honduras support collaboration with NGOs and other organizations. All of the municipalities felt they could contribute to the administrative costs of sustaining the activities, although none of them could finance the total costs of those activities. Contributions for pencils, notebooks, centers for holding classes and weekend meetings, and scholarships for students were some of the other ways mentioned for contributing to the financing of the program.

Among the municipalities, there is considerable enthusiasm, goodwill and promise of financial support. Municipalities, however, have had very little experience in managing educational programs for adults, so it will be necessary, in Puerto Cortés and Omoa, for instance, for the municipal authorities to organize support committees of government officials and representatives of NGOs. The MOE will operate through its regional offices, which will in turn organize municipal offices in selected areas.

c. The Business Community

Five organizations were surveyed. They were chosen for the extent of their contact with the target populations and the variety of educational activities in which they engage. Each of the organizations carries out educational programs for adults, but only one organization is directly involved in primary education equivalency for adults. All of the organizations expressed interest in collaborating with a project dealing with alternative delivery systems for adult primary education and all stressed the importance of working together with NGOs and the public sector. Instruction by radio and self-instructional materials were of great interest because of distances involved and the isolation of many of the potential beneficiaries of the project. Provision of training to facilitators/instructors was also seen as a highly attractive aspect of the project. All of the organizations stated that they could support some of the recurrent costs of the program, especially those related to administrative costs. There was a general feeling that strategies could be found to balance the costs among private and public sector participants.

B. Alternative Administrative Arrangements

The foregoing administrative analysis has assessed the capabilities of USAID, the MOE, and the participating NGOs, private voluntary organizations, municipalities, and the business community. If the MOE creates a Project Implementation Unit made up of experienced educators drawn from PEEP, the MOE can most likely meet the implementation

responsibilities required of it. The MOE's administrative capacity will also be enhanced by drawing on the expertise of RTAC in distributing textbooks and other materials.

The administrative arrangements between the MOE and other implementing organizations such as NGOs, private voluntary organizations, municipalities and the business community, will have to be spelled out carefully in a spirit of cooperative and mutual respect. If the MOE, in collaboration with other implementing organizations, concentrates its activities, at least for the first year of the project, in Puerto Cortés and Omoa, the MOE and the collaborating organizations will be able to fulfill their implementation responsibilities.

The alternatives to the proposed administrative arrangements are not promising. A first alternative would be to depend entirely on the MOE to implement the project. Without the participation and cooperation of NGOs, private voluntary organizations, municipalities and the business community and the MOE's reach would be severely limited. The MOE's human and financial resources would be strained, and it is likely that project implementation would require much more time, given the inefficiencies of a large, centralized bureaucracy.

A second alternative would be to depend entirely on NGOs to implement the project. While it is true that NGOs often have stronger community ties, especially in rural areas, it is also true that the methods and materials of NGOs do not always satisfy the criteria that have been established by the MOE's *Rendimientos Básicos* and the criterion-referenced testing system. There are no national standards for NGOs engaged in adult basic education, and without the guidance and technical assistance of the MOE, NGOs would not be able to provide a uniform standard of primary education for out-of-school youth and adults.

A third alternative would be to depend primarily on municipalities to provide adult basic education. Municipalities have expressed considerable interest in participating in adult education programs, and some municipalities, most notably Puerto Cortés and Omoa, have pledged financial support. But the municipalities do not have enough experience in providing adult basic education services, and without the guidance and technical assistance of the MOE, municipalities would not be able to fulfill their implementation responsibilities.

II. Component II: Vocational Training with Basic Education (VT/BE)

Component II builds directly from the considerable experience gained through a ten-year USAID Project with CADERH (No. 522-0257). While USAID also considered working directly with the MOE or the National Skills Training Institute (INFOP), experience has shown that NGOs and municipalities have been able to deliver training more cost-effectively than the MOE's formal training system or INFOP. NGOs have demonstrated a higher level of commitment, considerable institutional flexibility, adequate administrative capabilities, low unit training costs, ability to secure funding from diverse sources, and close community involvement. There are strong incentives for participating NGOs and municipalities to work closely with CADERH because in so doing they are protecting and extending the benefits of

their own considerable institutional investment. International experience has also demonstrated that NGOs are more effective in delivering training to the less privileged sectors of the population. There are at least 25 NGOs that have expressed interest in participating in the program and financing the recurrent costs of training.

At the time of its inception, the Advisory Council for Human Resources Development (CADERH) was unique in its approach to donor-assisted training projects. The major leadership role was vested in a Board of Directors composed of private sector members. This Board has maintained its long-term continuity over the years. Over the past decade CADERH and CADERH-assisted training programs have trained over 25,000 individuals; built/remodeled and equipped 16 vocational training centers serving over 3,000 low-income youth and adults annually; trained over 150 instructors and administrators; developed certification exams and competency-based instructional materials for 40 trades and sub-trades; and distributed more than 200,000 low-cost, high-quality training materials.

CADERH has developed considerable institutional capability and has demonstrated its ability to successfully design, implement, monitor, upgrade nonformal training programs, and to manage procurement and contracting activities in accordance with USAID guidelines. The use of CADERH to implement Project Component II will make use of the capacity that this organization has developed over the years. By using resources that have been previously developed under CADERH, such as competency-based instructional materials and certification examinations, not only is the use of these resources extended, but also the cost of Component II inputs is reduced.

A major activity of Component II will be the construction or remodeling and equipping of 15 additional self-sustainable training facilities for NGOs and municipalities. The standardized, modular building design makes use of low-cost, local materials, procurement is centralized, and construction is supervised through CADERH and USAID. In summary, previous experiences with the institution indicate that CADERH is the most appropriate institution for managing the proposed activities of Component II. Additional oversight, however, will be provided for this component with USAID financing internal audits executed by CADERH's auditor and annual nonfederal audits of the Component.

III. Component III: Project Promotion and Policy Issues (PRPP)

Alternate administrative mechanisms for this component were analyzed. One alternative arrangement would be to have USAID carry out promotion and policy research without the participation of an inter-institutional committee and CADERH. This arrangement would more than likely be resented by Honduran policy-makers and Honduran educational institutions. Educational policy-making is a sensitive area, and it is essential that all voices be heard and acknowledged.

A second alternative would be to have an inter-institutional committee composed of MOE and CADERH staff and select educators, take on responsibility for program promotion and policy research. This alternative, however, would fail to take advantage of USAID's considerable experience in analyzing educational policy and its vast data bases. Furthermore, inter-institutional committees are best used in an advisory capacity, rather than in a leadership or management capacity.

A third alternative would be to give CADERH the full responsibility for policy initiatives and promotion. CADERH is a very capable institution; however, its expertise lies mainly in vocational training and it would probably not explore educational policy in a broader context.

This analysis concludes that the most appropriate administrative arrangement is to have USAID provide leadership in policy reform and project promotion, an inter-institutional committee to review proposals, and CADERH to disburse the funds.

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ANNEX K

Economic Analysis

The end product sought by the BEST Project is a stronger human capital base. Honduras' human capital as embodied in its labor force is exceedingly weak. This is evidenced by the country's very low wage rates. For instance, wage rates range from 10 lempiras per day (\$1.11) for the poor agricultural worker, 30 lempiras per day (\$3.33) for apparel assembly employees, to 50 lempiras per day (\$5.55) for banana workers who receive some of the highest wages in all Honduras. Building up the human capital base would permit a diversification of the industrial sector base away from apparel and other maquila-type activities toward those providing for greater permanence and stability as well as higher domestic value added. The project's principal economic benefits will arise from increases in the market productivity of workers. Through investments in schooling, project-funded efforts also will raise the incomes of workers and thereby help produce other benefits, including reduced child mortality, improved child nutrition, and decreased fertility and population growth.

The project has two major components: alternative basic education and vocational training. To assess the economic viability of the project, benefit-cost analysis was used for each component. A benefit-cost ratio exceeding one implies that the component is economically viable and should be undertaken. We will use 15 year benefit and cost streams.

Under benefit-cost analysis, yearly economic benefits and costs are computed and compared to generate a benefit-cost ratio. However, the yearly benefits and costs cannot simply be added together. That would be comparing "apples to pears." In general, benefits generated and costs incurred in the future are valued less than those now. For instance, an individual always would prefer to receive say \$100 now than a year from now; the individual could take the \$100 now and invest in a commercial deposit and have more than a \$100 a year from now. To compare benefits generated and costs incurred today with those in the future, we use a discount rate. Thus, for example, the value today of benefits generated a year from now would be $EB_1 / (1 + i)$ where EB_1 is the economic benefits a year from now and i is the discount rate; the value of economic benefits today of benefits generated two years from now would be $EB_2 / (1 + i)^2$ where EB_2 are the economic benefits generated two years from now and i is as before the discount rate; and so on. The value today of economic costs incurred in the future can be similarly computed. To derive the benefit-cost ratio, the value of economic benefits and costs calculated as above for each year over the 15 year benefit and cost streams are summed separately with the resulting summation of the economic benefits divided by the summation of economic costs to yield a benefit-cost ratio.

Generally speaking, development projects incur costs in the near term and generate benefits in the medium and longer-term. Thus, for a development project to be a worthwhile endeavor, the benefits generated in the medium and longer term must be

sufficient to outweigh the costs incurred in the near term. The less the costs and the sooner and greater the benefits that are generated the greater the likelihood that the project will be viable.

As for the alternative basic education system component, costs include USAID project costs and GOH counterpart costs in the Ministry of Education. USAID costs decline from almost \$1.8 million in 1996 to \$315,000 in 1999 to zero in year 2000 and beyond (Please see Table A). Counterpart costs, as the GOH gradually takes over activities once undertaken exclusively by USAID, rise from \$200,000 in 1995 to a little over \$1 million in 1999, remaining at that level through year 2010 -- the end year of our cost stream. Benefits will be derived as the project succeeds in getting Hondurans to achieve higher levels of basic education. The project will be working with Hondurans to achieve competence at five levels, including Level I (Grades 1 and 2), Level II (Grades 3 and 4), Level III (Grades 5 and 6), Level IV (Grades 7 through 8.5), and Level V (Grades 8.5 through 9). According to the country's last Household Survey, completion of each level will on average produce income gains of \$95 per annum for each graduate. The project first begins to produce graduates in 1996 -- 10,000; the number subsequently increases to 76,000 by 1999 with totals through year 2010 straightlined at the 1999 level (Please see Table B).^{1/} The project expects to reach 10,000 graduates in 1996 because we are already working in the departments of Valle and Choluteca and four municipalities in El Paraiso. The increases in the outyears occur as activity is expanded to Puerto Cortes, Omoa, La Ceiba, Ocotepeque, and possibly the Department of Morazan. Over the fifteen year benefit stream, the total number of graduates is projected at 1,026,000. The benefits generated in each year are the product of the total number of graduates up to that time and \$95 -- the average per annum gains from completion of a level. This total then is adjusted downward by 20% to take into consideration the unemployment and underemployment within the country. To enable us to sum the economic benefits and costs and compare "apples to apples," we use a discount rate of 15 percent -- a figure typically used to measure the marginal productivity of capital or the return that can be normally earned from a unit of capital. Utilizing these data, we calculated a benefit/cost ratio of 11.5, suggesting that the component is well worth undertaking. (Please see Table C).

For the project's vocational training component, costs including those to equip and construct 15 new centers and strengthen 12 of the 16 existing centers consist of USAID project expenditures and training costs incurred by CADERH. (Please see Table D). USAID project costs which begin in 1995 peak at \$1.6 million in 1996, falling to \$570,000 in 1999 and to zero subsequently through year 2010.

^{1/}For ease of analysis, a graduate is someone who successfully completes a level. If an individual completes all five levels, he (she) is counted as five graduates.

For its part, CADERH training costs rise from \$340,000 in 1995 to \$785,000 in 1999, falling off to \$725,000 in year 2000 and remaining the same in each year through year 2010. Benefits are the increases in wages that project participants would accrue as a consequence of the project. On average, participants after training would obtain wages averaging \$970 per annum. This estimate is based on two follow on surveys of graduates undertaken in 1989 and 1992. As a measure of what participants were getting prior to the project, we use the minimum wage which is in the neighborhood of \$530 per annum. Thus, project participants receive net benefits totaling some \$440 per annum. Project graduates rise from 600 in 1995, reaching a peak of 3,000 in 1999 and thereafter remaining the same for a total of 43,000 through year 2010 (Please see Table B). To obtain the value of benefits in each year, the total number of graduates up to that point was multiplied by the \$440 -- the per annum net benefits of the training -- and as before adjusted downward by 20 percent to reflect the unemployment and underemployment that exists in the economy. From those data and using a 15% discount rate, a benefit/cost ratio of 3 was obtained, giving us considerable confidence that the initiative should be pursued (Please consult Table E).

Typically, 15 year economic benefits and costs streams are used in benefit-cost analysis. The process of discounting generally means that benefits generated and costs incurred beyond 15 years are sufficiently small that they have little impact on the benefit/cost ratio. For instance, \$1 in benefits generated 16 years from now are worth 11 cents today, using a 15% discount rate. While this project continues to generate significant benefits beyond year 2010, use of longer streams would not alter the major conclusion that each component is economically viable.

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Table A
Alternative Evaluation:
Economic Costs
(U.S.\$ Thousand)

<u>Year</u>	<u>Total</u>	<u>USAID</u>	<u>GOH</u>
1995	1,885	1,685	200
1996	2,035	1,785	250
1997	1,507	1,157	350
1998	1,773	898	875
1999	1,370	315	1,055
2000-2010	*1,055	-0-	1,055

* In each year over the period of 2000-2010.

Table B
BEST: Graduates
 (Thousand)

<u>Year</u>	<u>Component I</u> <u>(Basic Education)</u>	<u>Component II</u> <u>(Vocational Education)</u>
1995	-0-	0.6
1996	10.0	1.9
1997	40.0	2.0
1998	64.0	2.5
1999	76.0	3.0
2000	76.0	3.0
2001	76.0	3.0
2002	76.0	3.0
2003	76.0	3.0
2004	76.0	3.0
2005	76.0	3.0
2006	76.0	3.0
2007	76.0	3.0
2008	76.0	3.0
2009	76.0	3.0
2010	<u>76.0</u>	<u>3.0</u>
T O T A L	1,026.0	43.0

Table C
Basic Education Component
(U.S.\$)

<u>Year</u>	<u>Benefits</u>	<u>Discounted Benefits</u>	<u>Costs</u>	<u>Discounted Costs</u>	<u>Discount Factor</u>
1995	-0-	-0-	1,885,000	1,1885,000	1.00
1996	-0-	-0-	2,035,000	1,770,450	.87
1997	760,000	577,600	1,507,000	1,145,320	.76
1998	3,800,000	2,508,000	1,773,000	1,170,180	.66
1999	8,664,000	4,938,480	1,370,000	780,900	.57
2000	14,440,000	7,220,000	1,055,000	527,500	.50
2001	20,216,000	8,692,880	1,055,000	453,650	.43
2002	25,992,000	9,876,960	1,055,000	400,900	.38
2003	31,768,000	10,483,440	1,055,000	348,150	.33
2004	37,544,000	10,512,320	1,055,000	295,400	.28
2005	43,320,000	10,830,000	1,055,000	263,750	.25
2006	49,060,000	10,302,600	1,055,000	221,550	.21
2007	54,872,000	10,425,680	1,055,000	200,450	.19
2008	60,648,000	9,703,680	1,055,000	168,800	.16
2009	66,424,000	9,299,360	1,055,000	147,700	.14
2010	72,200,000	<u>8,664,000</u>	1,055,000	<u>126,600</u>	.12
		114,035,000		9,906,300	

Benefit/Cost Ratio: 11.51

Table D
Vocational Education: Economic Costs
(U.S.\$ Thousand)

<u>Year</u>	<u>Total</u>	<u>USAID</u>	<u>CADERH</u>
1995	1,396	1,056	340
1996	2,118	1,648	470
1997	1,624	1,029	595
1998	1,620	970	650
1999	1,352	567	785
2000-2010	*725	-0-	725

* In each year over the period of 2000-2010.

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Table E
Vocational Education Component
(U.S.\$)

<u>Year</u>	<u>Benefits</u>	<u>Discounted Benefits</u>	<u>Costs</u>	<u>Discounted Costs</u>	<u>Discount Factor</u>
1995	-0-	-0-	1,395,170	1,395,170	1.00
1996	211,200	183,744	2,117,945	1,842,612	.87
1997	880,000	668,800	1,623,435	1,233,811	.76
1998	1,584,000	1,045,440	1,619,485	1,068,860	.66
1999	2,464,000	1,404,480	1,351,965	770,620	.57
2000	3,520,000	1,760,000	725,000	362,500	.50
2001	4,576,000	1,967,680	725,000	311,750	.43
2002	5,632,000	2,140,160	725,000	275,500	.38
2003	6,688,000	2,207,040	725,000	239,250	.33
2004	7,744,000	2,168,320	725,000	203,000	.28
2005	8,800,000	2,200,000	725,000	181,250	.25
2006	9,856,000	2,069,760	725,000	152,250	.21
2007	10,912,000	2,073,280	725,000	137,750	.19
2008	11,968,000	1,914,880	725,000	116,000	.16
2009	13,024,000	1,823,360	725,000	101,500	.14
2010	14,080,000	<u>1,689,600</u>	725,000	<u>87,000</u>	
T O T A L		25,316,544		8,478,823	

Benefit/Cost Ratio: 2.99

ANNEX L

FINANCIAL ANALYSIS

The purpose of this financial analysis is two-fold: (a) to determine whether the proposed activities under the Basic Education and Skills Training (BEST) Project will be financially viable during and after the fifth year of the project, and (b) to verify that the stream of projected expenses can actually be financed (paid for) by the project participants¹ as planned in the "Implementation Plan" (Annex F of the Project Paper) and the Illustrative Project Budget Summary (Table 2 to this Annex). The USAID Project Officer, together with his supporting staff, worked closely with Ministry of Education (MOE) Officials, CADERH's Board of Directors and its Executive Director, and representatives from the adult education and vocational training centers to develop annual projections of sources and uses of funds during the project and one year after. The analysis also takes into account USAID's disbursement schedule for all three components (including the Endowment), the MOE's counterpart contribution to the project for Component I, CADERH's counterpart contribution for Component II (including the Endowment) and the ABEDS NGO network and VT training centers contribution to Components I and II, respectively. Clearly, the design of these financial projections is somewhat illustrative: they are dependent on the future funding availability on the part of USAID and the GOH/MOE; on the ability of up to 36 NGOs and municipalities and 26 training centers to cover the recurrent costs associated with adult education and skills training centers; on the maintenance of political and economic stability in Honduras; on the project's success in reaching out to the planned number of out of school youths and young adults; on the recruitment and training of sufficient volunteer facilitators for the ABEDS (Component I); on the effective participation of the ABEDS NGO network and VT training centers during the project; and on continued efficient management on the part of CADERH.

Table 1 to this Annex, entitled "Summary Financial Plan", suggests: (a) that the proposed activities under the BEST Project will in fact be financially viable during and after the project; and (b) that the stream of project expenses can actually be financed by the project participants in a timely manner as designed, and therefore, the activities envisioned can be implemented as planned in the "Implementation Plan" and the "Illustrative Project Budget Summary". Also, Tables 6 and 7 provide actual information on ongoing financial revenue sources for ten (10) ABEDS NGOs, and fifteen (15) VT training centers under the Primary Education Efficiency Project (PEEP) and the Center for Human Resource Development in Honduras (CADERH) Project, respectively.

¹ USAID, MOE, CADERH, ABEDS NGOs/PVOs, VT Centers and participating Municipalities.

These tables demonstrate that the activities implemented by these organizations, which have participated in these two projects since 1984, have secure sources of income from student fees, textbooks and production activities. These sources of revenue comprise, on average, 100% of the operating costs of the prospective ABEDS sponsors sampled and 50% of those of prospective VT/BE sponsors sampled (see Table 9 for details). The difference (i.e. the operating deficit) is being financed by the Catholic Church and by other religious institutions, international donors and some municipalities. The planned average yearly operating budgets for these NGOs is \$20,500 for ABEDS NGOs and \$26,850 for VT centers. These amounts are considered relatively small, reasonable and attainable as demonstrated by Tables 6 and 7. It is therefore, not unreasonable to assume that these counterpart (ABEDS NGOs and VT centers) revenue sources will continue to be provided under the new BEST Project for the same activities during and after the project. Therefore, based on all of the above considerations, it is reasonable to conclude that the project, as designed, is financially sound.

The major assumptions upon which this conclusion is based include:

- 1) The projected USAID and GOH/NGO disbursement schedule (in US\$ or equivalent) for Component I is expected to be as follows:

	CY1995	CY1996	CY1997	CY1998	CY1999	TOTAL
USAID	185,000	1,870,000	1,287,000	1,028,000	295,000	\$4,665,000
GOH/NGO	200,000	250,000	350,000	875,000	1,055,000	2,730,000
TOTAL	385,000	2,120,000	1,637,000	1,903,000	1,350,000	\$7,395,000

- 2) The projected USAID and CADERH disbursement schedule (in US\$ or equivalent) for Component II is expected to be as follows:

	CY1995	CY1996	CY1997	CY1998	CY1999	TOTAL
USAID	1,156,000*	1,863,000*	1,243,000	734,000	274,000	\$5,270,000
CADERH/NGO	338,000	468,000	593,000	648,000	783,000	2,830,000
ENDOWMENT PAY-OUT**	- 0 -	13,000	13,000	14,000	14,000	\$54,000
TOTAL	1,494,000	2,344,000	1,849,000	1,396,000	1,071,000	\$8,154,000

* Note: Includes endowment fund contribution.

** Note: Pay-out numbers have been rounded. Please refer to Table 8 for actual figures.

- 3) The projected USAID disbursement schedule (in US\$) for Component III is expected to be as follows:

	CY1995	CY1996	CY1997	CY1998	CY1999	TOTAL
USAID	60,000	60,000	60,000	60,000	60,000	\$300,000

- 4) One year after the completion of project-funded activities (the year 2000), Component I expenditures necessary to continue activities initiated under it will total \$1,040,000 (see Table 3). For purposes of this analysis, these amounts are expected to remain constant in real terms in the year 2001 and thereafter. Of this amount, the RTAC Program is expected to make the printing of materials self-sufficient with contributions of \$200,000. All the radio transmission costs (estimated to be \$175,000) training (\$10,000), testing (\$25,000), personnel (\$325,000), travel and per diem (\$30,000) and other operating costs (\$50,000), will be financed mainly by the GOH. The participating NGOs and selected municipalities will finance personnel (\$100,000) and other operating expenses (\$25,000). USAID expects that the expenses of the NGOs and PVOs will be covered by religious institutions and other donors, and from the sale of textbooks and student fees during and after the project, as is currently the case per Table 6 and as depicted in Table 1.
- 5) Component II expenditures in the year 2000 will total \$805,000 (see Table 4). For purposes of this analysis, these amounts are expected to remain constant in real terms in the year 2001 and thereafter. Of this amount, recurrent training costs add up to \$725,000 and will be financed mainly by the VT/BE training centers and municipalities. CADERH Endowment resources will finance personnel (\$44,000), office equipment and materials (\$4,000), and other costs (\$3,000) for a total of \$51,000. CADERH's own funds will finance travel and per diem (\$18,000), implementation facilities (\$6,000) and fuel, lubricants, maintenance and insurance of vehicles (\$5,000). USAID expects that the deficit financing of operating expenses of the VT training centers will be provided by religious institutions and other donors during and after the project, as is currently the case per Table 7 and as depicted in Table 1.
- 6) After the year 1999, activities under Component III, Policy Reform and Project Promotion, will cease.

Table 1 to this Annex entitled "Summary Financial Plan", shows all projections on sources and uses of funds by line item over the five year project and for one year after 1999 by project component. Table 9 to this Annex entitled "Sustainability After 1999", shows all projections on sources and uses of funds by line item for five years after the completion of project-funded activities by component.

SUMMARY FINANCIAL PLAN
BEST PROJECT 522-0388
(\$000s or Equivalent)

Table 1

	CY95			CY96			CY97			CY98			CY99			TOTAL		
	Year 1			Year 2			Year 3			Year 4			Year 5					
	GOH/			GOH/			GOH/			GOH/			GOH/			GOH/		
SOURCES OF FUNDS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS
-USAID	1,401			3,793			2,590			1,822			629			10,235		
-GOH/NGOS		175	25		200	50		250	100		550	325		630	425		1,805	925
-CADERH/NGOS		33	305		33	435		33	560		33	615		58	725		190	2,640
-Endowment Pay-Out					13			13			14			14			54	
TOTAL SOURCES OF FUNDS	1,401	208	330	3,793	246	485	2,590	296	660	1,822	597	940	629	702	1,150	10,235	2,049	3,565
USES OF FUNDS																		
For Component I - ABEDS:																		
	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS
D1 Printed Materials				1,085			577			508	100	200		100	300	2,170	200	500
D2 Recorded Materials				75			50									125	0	0
D3 Transmission Costs				100			100	50		175				175		200	400	0
D4 Equipment				10			10			10				10		40	0	0
D5 Training				10			10			10				10		40	0	0
D6 Testing				25			25			25				25		50	50	0
D7 Personnel	85	175	25	250	200	50	225	200	100	225	200	100	125	200	100	910	975	375
D8 Technical Assistance				55			55			55				55		220	0	0
D9 Travel & PerDiem				75			100			180				80		335	80	0
D10 Other Operating Costs	75			75			75			50	25			50	25	225	100	50
D11 Contingencies	25			25			25			25				10		110	0	0
D12 Audits				15			15			15				15		60	0	0
D13 Evaluations				50										50		100	0	0
D14 Administration				20			20			20				20		80	0	0
Sub-total	185	175	25	1,870	200	50	1,287	250	100	1,028	550	325	295	830	425	4,685	1,805	925
For Component II - VT/BE:																		
	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS
D1 Equip. & Const. 15 New Centers	425		5	900		35	875		60	350		85		25		2,550	25	185
D2 Ed. Materials, Audio-Visual Eq.	60			70			50			50						230	0	0
D3 Production Funds	25	25		40	25		50	25		60	25			25		175	125	0
D4 Strength, 16 Existing Centers	200			110			10									320	0	0
D5 Technical Assistance	45			65			65			65				60		300	0	0
D6 Recurrent Training Costs			300			400			500			550			725	0	0	2,475
D7 Personnel	93			80			90			101				103		487	0	0
D8 Travel & PerDiem	45			45			50			55				55		250	0	0
D9 Implementation Facilities	25	8			8			8			8			8		25	40	0
D10 Office Equipment & Materials	28			8			8			8				8		58	0	0
D11 Vehicles	80															80	0	0
D12 Fuel, Lub., Maint., & Ins.	12			16			16			16				16		76	0	0
D13 Audits	5			10			10			10				10		45	0	0
D14 Other Costs	8			9			9			9				9		44	0	0
D15 Administration	5			10			10			10				15		50	0	0
D16 T A to Centers					13			13			14			14		0	54	0
Sub-total	1,056	33	305	1,383	46	435	1,243	46	560	734	47	615	274	72	725	4,670	244	2,640
For Component III - PRPP:																		
	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS
D1 Promotion of Project	12			12			12			12				12		60	0	0
D2 Policy Analysis	45			45			45			45				45		225	0	0
D3 Admin. & Logistics	3			3			3			3				3		15	0	0
Sub-total	60	0	0	60	0	0	60	0	0	60	0	0	60	0	0	300	0	0
For Capitalization of Endowment:																		
	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS	USAID	CADER	NGOS
	100			500												600	0	0
TOTAL USES OF FUNDS	1,401	208	330	3,793	246	485	2,590	296	660	1,822	597	940	629	702	1,150	10,235	2,049	3,565
SURPLUS (DEFICIT)	0	0	0	0	(0)	0	0	0	0	0	(0)	0	0	0	0	0	0	0

BEST PROJECT 522-0388
ILLUSTRATIVE PROJECT BUDGET SUMMARY
(\$000s or Equivalent)

Table 2

ITEM	USAID	GOH/	NGOS	CADERH/	NGOS	TOTAL
1. ALTERNATIVE BASIC EDU DELIVERY SYSTEM (ABEDS)	4,425	1,805	925	0	0	7,155
2. VT CONSTRUCTION AND SUPPORT	4,575	0	0	244	2,640	7,459
3. CADERH ENDOWMENT	600	0	0	0	0	600
4. POLICY REFORM & PROMOTION	300	0	0	0	0	300
5. EVALUATIONS AND USAID ADMINISTRATION	230	0	0	0	0	230
6. AUDITS	105	0	0	0	0	105
TOTAL	10,235	1,805	925	244	2,640	15,849

File: BESTBUD

BEST PROJECT 522-0388
COMPONENT I
PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
(\$000's or Equivalent)

Table 3

	Year 1995			Year 1996			Year 1997			Year 1998			Year 1999			Total			Year 2000 1/		
	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS	USAID	GOH	NGOS
PRODUCTION OF MATERIALS:																					
01 Printed Materials	0	0	0	1,085	0	0	577	0	0	508	100	200	0	100	300	2,170	200	500	0	100	200
02 Recorded Materials	0	0	0	75	0	0	50	0	0	0	0	0	0	0	0	125	0	0	0	0	0
03 Radio Transmission Costs	0	0	0	100	0	0	100	50	0	0	175	0	0	175	0	200	400	0	0	175	0
Sub-total	0	0	0	1,260	0	0	727	50	0	508	275	200	0	275	300	2,495	600	500	0	275	200
SYSTEM DEVELOPMENT:																					
04 Equipment	0	0	0	10	0	0	10	0	0	10	0	0	10	0	0	40	0	0	0	0	0
05 Training	0	0	0	10	0	0	10	0	0	10	0	0	10	0	0	40	0	0	0	10	0
06 Testing	0	0	0	25	0	0	25	0	0	0	25	0	0	25	0	50	50	0	0	25	0
07 Personnel	85	175	25	250	200	50	225	200	100	225	200	100	125	200	100	910	975	375	0	325	100
08 Technical Assistance	0	0	0	55	0	0	55	0	0	55	0	0	55	0	0	220	0	0	0	0	0
09 Travel & Per Diem	0	0	0	75	0	0	100	0	0	160	0	0	0	80	0	335	80	0	0	30	0
10 Other Operation Costs	75	0	0	75	0	0	75	0	0	0	50	25	0	50	25	225	100	50	0	50	25
11 Contingencies	25	0	0	25	0	0	25	0	0	25	0	0	10	0	0	110	0	0	0	0	0
Sub-total	185	175	25	525	200	50	525	200	100	485	275	125	210	355	125	1,930	1,205	425	0	440	125
ADMINISTRATION:																					
12 Audits	0	0	0	15	0	0	15	0	0	15	0	0	15	0	0	60	0	0	0	0	0
13 Evaluations	0	0	0	50	0	0	0	0	0	0	0	0	50	0	0	100	0	0	0	0	0
14 Administration	0	0	0	20	0	0	20	0	0	20	0	0	20	0	0	80	0	0	0	0	0
Sub-total	0	0	0	85	0	0	35	0	0	35	0	0	85	0	0	240	0	0	0	0	0
Total	185	175	25	1,870	200	50	1,287	250	100	1,028	550	325	295	630	425	4,665	1,805	925	0	715	325

Note: 1/ Future recurrent costs after 1999.

13/11

BEST PROJECT 522-0388
COMPONENT II
PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
(\$000's or Equivalent)

Table 4

	Year 1995			Year 1996			Year 1997			Year 1998			Year 1999			Total			Year 2000 1/		
	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS	USAID	CADH	NGOS
TRAINING CENTERS:																					
01 Equip & Construct 15 New Centers	425	0	5	900	0	35	875	0	60	350	0	65	0	25	0	2,550	25	165	0	0	0
02 Educational Materials & Audio-Visual Equip.	60	0	0	70	0	0	50	0	0	50	0	0	0	0	0	230	0	0	0	0	0
03 Production Funds	25	25	0	40	25	0	50	25	0	60	25	0	0	25	0	175	125	0	0	0	0
04 Strengthening 16 Existing Centers	200	0	0	110	0	0	10	0	0	0	0	0	0	0	0	320	0	0	0	0	0
05 Technical Assistance 6/	45	0	0	65	0	0	65	0	0	65	0	0	60	0	0	300	0	0	0	0	0
06 Recurrent Training Costs	0	0	300	0	0	400	0	0	500	0	0	550	0	0	725	0	0	2,475	0	0	725 2/
07 Personnel	93	0	0	80	0	0	90	0	0	101	0	0	103	0	0	467	0	0	0	44	0 3/
08 Travel & Perdiem	45	0	0	45	0	0	50	0	0	55	0	0	55	0	0	250	0	0	0	18	0 5/
Sub-total	893	25	305	1,310	25	435	1,190	25	560	681	25	615	218	50	725	4,292	150	2,640	0	62	725
ADMINISTRATION:																					
09 Implementation Facilities	25	8	0	0	8	0	0	8	0	0	8	0	0	8	0	25	40	0	0	6	0 4/
10 Office Equipment & Materials	28	0	0	8	0	0	8	0	0	8	0	0	6	0	0	58	0	0	0	4	0 3/
11 Vehicles	80	0	0	0	0	0	0	0	0	0	0	0	0	0	0	80	0	0	0	0	0
12 Fuel, Lubricants, Mainte- nance & Insurance	12	0	0	16	0	0	16	0	0	16	0	0	16	0	0	76	0	0	0	5	0 5/
13 Audits	5	0	0	10	0	0	10	0	0	10	0	0	10	0	0	45	0	0	0	0	0
14 Other Costs	8	0	0	9	0	0	9	0	0	9	0	0	9	0	0	44	0	0	0	3	0 3/
15 Administration	5	0	0	10	0	0	10	0	0	10	0	0	15	0	0	50	0	0	0	0	0
16 T A to Centers	0	0	0	0	13	0	0	13	0	0	14	0	0	14	0	0	54	0	0	0	0
Sub-total	163	8	0	53	21	0	53	21	0	53	22	0	56	22	0	378	94	0	0	18	0
Total	1,056	33	305	1,363	46	435	1,243	46	560	734	47	615	274	72	725	4,670	244	2,640	0	80	725

- Notes:
- 1/ Future recurrent costs after 1999.
 - 2/ Financed by the VT centers. Approximately 40% of this amount will be financed by Production Income and 10% from student fees and textbooks. See Table 7 for details.
 - 3/ Financed with Endowment resources.
 - 4/ CADERH in-kind contribution.
 - 5/ CADERH cash contribution.
 - 6/ TA SOW includes yearly evaluations of this component.

BEST PROJECT 522-0388
 COMPONENT III
 PROJECTION OF EXPENDITURES BY LINE ITEM BY YEAR
 (\$000's)

Table 5

	Year 1995		Year 1996		Year 1997		Year 1998		Year 1999 1/		Total	
	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH	USAID	CADERH
01 Promotion of Project	12	0	12	0	12	0	12	0	12	0	60	0
02 Policy Analysis	45	0	45	0	45	0	45	0	45	0	225	0
03 Admin. & Logistics	3	0	3	0	3	0	3	0	3	0	15	0
Total	60	0	60	0	60	0	60	0	60	0	300	0

Note: 1/ Activities of this component end in Year 1999.

File: BESTC3

SAMPLE ABEDS NGOS
COMPONENT I
REVENUE SOURCES
(US Dollars or Equivalent)

Table 6

A. Honduran Institute for Radio Education (IHER): 1/

-Central Operating Expenses (donated by the Salesianos)	66,952
-Radio Transmission Costs, Training of Facilitators & Textbooks (donated by Plan International and Standard Fruit Co.)	100,000
-New Radio Studio (donated by European Churches)	<u>17,711</u>
Total	<u><u>184,663</u></u>

B. Archdiocese of Tegucigalpa: 2/

-Literacy and Basic Education Instruction (1995 to 1997) (of this amount, CABEL is donating \$163,755, the difference is from different church sources)	1,127,227
Total	<u><u>1,127,227</u></u>

C. Honduran National Literacy Network (Eight NGOs): 3/

-Operating Expenses of Adult Literacy Instruction (of this amount, the Inter-American Foundation is donating \$59,000, the difference is provided by the eight NGOs from different sources) 4/	100,000
Total	<u><u>100,000</u></u>

Notes:

1/ Source: LearnTech Project, "Honduras Interactive Radio Adult Basic Education Project Midterm Evaluation." (USAID, 1994).

2/ Source: "Proyecto Educacion Basica de Adultos: Educacion para Todos." (Tegucigalpa: Iglesia Catolica y Direccion General de Alfabetizacion y Educacion de Adultos, May 1994). Exchange rate used is \$1.00/L9.16.

3/ Source: External Evaluation of the USAID Regional LearnTech Project No. DPE-5818-C-00-0044-00.

4/ Source: Inter-American Foundation (IAF), Grant No. HO-209, August 24, 1994. The eight NGOs comprising this network are: Comision Cristiana de Desarrollo (CCD), Centro de Estudios y Promocion del Desarrollo (CEPROD), Central Nacional de Trabajadores del Campo (CNTC), Instituto Hondureno de Desarrollo Rural, Proyecto Concern, Aldea Global, Alfalit de Honduras, and Consejo de Instituciones Evangelicas de Honduras.

Note: As is currently the case, it is expected that during and after the project, any ABEDS NGO/PVO operating budget deficits will be financed by the Catholic Church, other religious institutions and donors, and some revenues from the sale of textbooks and student fees.

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SAMPLE VT CENTERS 1/
COMPONENT II
REVENUE SOURCES
(1993 LEMPIRAS)

Table 7

Name of VT	No. Hours/ Week	No. Weeks	Total Hours	Enroll- ment	Total Student Hours	Operating Budget 2/	Deprecia- tion	Produc- tion In- come 3/
1. San Juan Bosco	35	16	560	89	49,840	69,612	30,587	18,638
2. Santa Maria	20	22	440	58	25,520	101,159	4,383	12,909
3. Grupo Dion	35	20	700	128	89,600	63,087	4,709	18,936
4. Juan Calvino	15	20	300	43	12,900	13,251	2,400	0
5. S.O.S. Zamorano	35	20	700	121	84,700	135,714	22,538	68,760
6. Inst.Tec.del Sur	20	20	400	156	62,400	28,307	7,392	13,975
7. El Sembrador	35	20	700	68	47,600	18,109	21,767	22,314
8. Aragua	9	20	180	142	25,560	19,951	2,357	2,964
9. Apufram	35	20	700	48	33,600	36,481	19,739	27,650
10.Inst.Tec.San Pedro	20	20	400	447	178,800	309,781	21,768	31,849
11.Inst.Tec.Chamelecon	20	16	320	249	79,680	109,184	23,571	24,877
12.Central Sula	35	22	770	113	87,010	89,174	14,507	37,019
13.Intelo	35	22	770	335	257,950	215,487	20,074	64,645
14.S.O.S. Tela	35	22	770	136	104,720	106,397	19,764	22,499
15.Cever	35	22	770	162	124,740	169,247	27,634	90,943
TOTAL				2,295	1,264,620	1,484,941	243,190	457,978

Notes:

1/ Source: Final Evaluation of the CADERH Project 522-0257.

2/ Revenue sources for operating budgets for these 15 VT Centers come mainly from Production Income (activities)(approximately 31% according to this sample), student fees. The difference is financed mainly by the Catholic Church and other religious institutions and donors.

3/ Production Income from the sale of products from production training activities goes to cover, on the average, approximately 31% of the operating budgets of these VT centers according to this survey. It is believed that some of the VT centers of this sample did not report all of their Production Income for various reasons. It is therefore estimated that a more realistic/representative percentage is 40% instead of 31%. Another 10% of income is estimated to come from student fees and textbooks. Therefore, it is reasonable to assume that up to 50% of the operating budgets of these VT centers is estimated to come mainly from the Catholic Church and other religious institutions and donors.

Illustrative
Endowment Fund *
(US \$)

Table 8

1/ Year	Beginning Balance	2/ Return	Interest Income	New Total	Amount Disbursed	Ending Balance
1995	100,000	3.0%	3,000	103,000	0	103,000
1996	603,000	3.5%	21,180	624,180	12,900	611,280
1997	611,280	6.0%	36,677	647,957	13,287	634,670
1998	634,670	6.0%	38,080	672,750	13,686	659,064
1999	659,064	6.0%	39,544	698,608	14,096	684,512
2000	684,512	6.0%	41,071	725,583	51,000	674,583
2001	674,583	6.0%	40,475	715,058	52,530	662,528
2002	662,528	6.0%	39,752	702,279	54,106	648,174
2003	648,174	6.0%	38,890	687,064	55,729	631,335
2004	631,335	6.0%	37,880	669,215	57,401	611,814
2005	611,814	6.0%	36,709	648,523	59,123	589,400
2006	589,400	6.0%	35,364	624,764	60,897	563,867
2007	563,867	6.0%	33,832	597,699	62,724	534,976
2008	534,976	6.0%	32,099	567,074	64,605	502,469
2009	502,469	6.0%	30,148	532,617	66,543	466,074
2010	466,074	6.0%	27,964	494,038	68,540	425,498
2011	425,498	6.0%	25,530	451,028	70,596	380,432
2012	380,432	6.0%	22,826	403,258	72,714	330,544
2013	330,544	6.0%	19,833	350,377	74,895	275,482
2014	275,482	6.0%	16,529	292,011	77,142	214,869
2015	214,869	6.0%	12,892	227,761	79,456	148,304
2016	148,304	6.0%	8,898	157,203	81,840	75,363
2017	75,363	6.0%	4,522	79,884	79,884	0

* Note: Column 2, "Beginning Balance" shows the projected balance in the endowment at the beginning of each year, "Return" shows the estimated rate of return on that balance (6%/annum)(except CYs 1995 & 1996), "Interest Income" the dollars earned and "Amount Disbursed" the maximum amount available that year for transfer to the grantee and includes a 3% inflation factor. If the endowment performs differently than projected, this would be reflected in a somewhat shorter or longer duration for the endowment.

1/ In CY 1995 an initial capital investment of \$100,000 is made for six months and therefore Interest Income is calculated at 3% only. In CY 1996 a second capital investment of \$500,000 is made and Interest Income of 3.5% is calculated (\$500,000 for six months plus \$103,000 for one year).

2/ The interest rate used in this projection is very conservative. Higher returns are expected in real practice, therefore, no Financial Asset Manager commissions or fees are considered.

Table 9

SUSTAINABILITY AFTER 1999 *
BEST PROJECT 522-0388
(\$000s or Equivalent)

	CY2000 (Year 6)		CY2001 (Year 7)		CY2002 (Year 8)		CY2003 (Year 9)		CY2004 (Year 10)		
A. Component I - ABEDS:											
SOURCES OF FUNDS											
	GOH	NGOS	GOH	NGOS	GOH	NGOS	GOH	NGOS	GOH	NGOS	
-GOH	715		715		715		715		715		
-NGOS/MUNICIPALITIES		125		125		125		125		125	
-RTAC CENTER		200		200		200		200		200	
TOTAL SOURCES OF FUNDS	715	325	715	325	715	325	715	325	715	325	
USES OF FUNDS											
01 Printed Materials	100	200	100	200	100	200	100	200	100	200	
03 Radio Transmission Costs	175	0	175	0	175	0	175	0	175	0	
05 Training	10	0	10	0	10	0	10	0	10	0	
06 Testing	25	0	25	0	25	0	25	0	25	0	
07 Personnel	325	100	325	100	325	100	325	100	325	100	
09 Travel & PerDiem	30	0	30	0	30	0	30	0	30	0	
10 Other Operating Costs	50	25	50	25	50	25	50	25	50	25	
TOTAL USES OF FUNDS	715	325	715	325	715	325	715	325	715	325	
SURPLUS (DEFICIT)	0	0	0	0	0	0	0	0	0	0	
Additional Church/Donor Contributions	0	0	0	0	0	0	0	0	0	0	
SURPLUS (DEFICIT)	0	0	0	0	0	0	0	0	0	0	
% SELF-SUSTAINABLE	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

B. Component II - VT/BE Centers:											
SOURCES OF FUNDS											
	CADERH	NGOS	CADERH	NGOS	CADERH	NGOS	CADERH	NGOS	CADERH	NGOS	
-CADERH	29		29		29		29		29		
-NGOS		363		363		363		363		363	
-ENDOWMENT PAY-OUT	51		53		54		56		57		
TOTAL SOURCES OF FUNDS	80	363	82	363	83	363	85	363	86	363	
USES OF FUNDS											
06 Recurrent Training Costs		725		725		725		725		725	
07 Personnel	44		45		47		48		50		
08 Travel & PerDiem	18		18		18		18		18		
09 Implementation Facilities	6		6		6		6		6		
10 Office Equipment & Materials	4		4		4		4		5		
12 Fuel, Lub., Maint., & Ins.	5		5		5		5		5		
14 Other Costs	3		3		3		3		3		
TOTAL USES OF FUNDS	80	725	82	725	83	725	85	725	86	725	
SURPLUS (DEFICIT)	0	(363)	(0)	(363)	(0)	(363)	(0)	(363)	(0)	(363)	
Additional Church/Donor Contributions	0	363	0	363	0	363	0	363	0	363	
SURPLUS (DEFICIT)	0	0	(0)	0	(0)	0	(0)	0	(0)	0	
% SELF-SUSTAINABLE	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

* Note: Recurrent costs to be financed after the completion of project-funded activities will be in local currency, therefore, no dollar inflation factor was considered in this financial projection.

ANNEX M



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-95-06

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Honduras

Project Title : Basic Education and Skills
Training (BEST)

Project Number : 522-0388

Funding : \$10 million

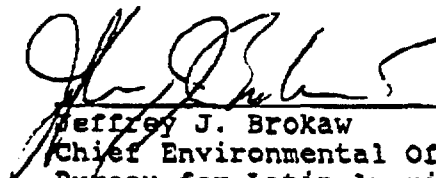
Life of Project : 1995-2000

IEE Prepared by : Peter Hearne

Recommended Threshold Decision : Positive Determination/
Categorical Exclusion

Bureau Threshold Decision : Concur with Recommendation

Comments : Categorical Exclusion under 22
CFR 216.2(c)(2)(i), as stated in
attached TFF. Positive
Determination for construction
of new schools. As requested,
Mission may conduct one
Environmental Assessment for the
entire project, however,
activities must be evaluated on
a site-specific basis. EA may
be conducted "in-house," and
Scope of Work shall be approved
by LAC Chief Environmental
Officer prior to conducting EA.

 Date 1/14/95
Jeffrey J. Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

H-0092



U.S. Agency for International Development
Bureau of Latin America and the Caribbean
Office of Regional Sustainable Development

11 APR 1995 13

FAX TRANSMITTAL		DATE: 1/11	
FROM: K Menozer		TO: Peter Hearn, ANR	
ORGANIZATION: LAC/RSD/ E		ORGANIZATION: USAID/Hon	
FAX: (202) 647- 8058 8151		FAX:	
PHONE: (202) 647- 8048		PHONE:	
NUMBER OF PAGES SENT INCLUDING COVER SHEET: 3			
MESSAGE:			
<p>Cable to JEE will be sent shortly. Her is an advance copy.</p>			

OFFICE	ACTION	INFO
MD		
DND		
RLA		
EXO		
EXOP		
EXOD		
EXOPER		
DP		
DE		
CONT		
RD	ANR	
HRD		
HRD/E		
HRD/H		
HRD/P		
HRD/FP		
HRD/SP		
PSP		
EPA		
MDM		
ENG		
CHRON		
READER		
EMBASSY		
OTHER		
C&R		
DUE DATE	01/19	
ACTION TAKEN		
INITIALS		

w/af

140

UNCLAS

AIDAC

SECSTATE 09669

ACTION: USAID-1
INFO: TOTAL-4 JAO-1 ECON-1 DCM-1 AMB-1

DISTRIBUTION: AID
CHARGE: AID

VZCZCTG0191
RR RUEHTG
DE RUEHC #9669 0130048
ZNR UUUUU ZZH
R 130054Z JAN 95
FM SECSTATE WASHDC
TO RUEHTG/AMEMBASSY TEGUCIGALPA 5704
RUEHGT/AMEMBASSY GUATEMALA 2240
BT
UNCLAS STATE 009669

AIDAC TEGUCIGALPA FOR P.HEARNE, GUATEMALA FOR W.WILLIAMS

E.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR BASIC
EDUCATION AND SKILLS TRAINING--BEST--(522-0338)

REF: FAX, HEARNE TO BROKAW/MENCZER, JANUARY 4, 1995

1. LAC CHIEF ENVIRONMENTAL OFFICER, JEFFREY BROKAW, HAS
REVIEWED, AND HEREBY APPROVES POSITIVE DETERMINATION AND
CATEGORICAL EXCLUSION FOR SUBJECT PROJECT.

2. CATEGORICAL EXCLUSION IS ISSUED UNDER 22 CFR
216.2(C)(2)(I), AS STATED IN IEE.

3. POSITIVE DETERMINATION IS ISSUED FOR CONSTRUCTION OF
NEW SCHOOLS. AS REQUESTED, MISSION MAY CONDUCT ONE
ENVIRONMENTAL ASSESSMENT FOR THE ENTIRE PROJECT, HOWEVER,
ACTIVITIES MUST BE EVALUATED ON A SITE-SPECIFIC BASIS. EA
MAY BE CONDUCTED QUOTE IN-HOUSE UNQUOTE AND SCOPE OF WORK
SHALL BE APPROVED BY LAC CHIEF ENVIRONMENTAL OFFICER PRIOR
TO CONDUCTING EA.

4. IEE NUMBER IS LAC-IEE-95-06. ENVIRONMENTAL THRESHOLD
DECISION IS BEING SENT TO MISSION FOR INCLUSION IN PROJECT
FILES.

CHRISTOPHER
BT
#9669

UNCLAS

AIDAC

SECSTATE 09669

OFFICE	ACTION	INFO
MD		1
DMD		
RLA		
EXO		
EXO/P		
EXO/D		
EXO/PER		
DP		
DF		1
CONT		
RD	ANR	
HRD		
HRD/E		
HRD/H		
HRD/P		
HRD/FFP		
HRD/SP		
PSP		
EPA		
MDI		
RIG		
CHRON		1
READER		1
EMBASSY		
OTHER		
C&R		
DUE DATE	01/23	
ACTION TAKEN		
ATTACHM		
INITIALS		

NEW PROJECT DESCRIPTION (FY 94)

LAC BUREAU OBJECTIVE: Support the Achievement of Broadly-Based, Sustainable Economic Growth.

LAC SUB-OBJECTIVE: Encourage Greater Opportunities for Increased Participation in the Economy by the Disadvantaged.

MISSION STRATEGIC OBJECTIVE: Healthier, Better Educated Hondurans

PROJECT TITLE:	Basic Education and Skills Training
PROJECT NUMBER:	522-0388
FISCAL YEARS:	FY 94-00
LOP FUNDING:	\$10.0M
TYPE OF FUNDING:	DA - Basic Education/Adult Literacy Earmark

A. CONSISTENCY WITH MISSION STRATEGY: The goal of the project *is healthier, better-educated Hondurans*. Achievement of this goal will be measured by increased numbers of graduates at each level of the basic and vocational education systems. The purpose of the project *is to increase the efficiency, quality and coverage of the basic and vocational education systems*. Achievement of this purpose will be measured by an increase in enrollments, a decrease in the MOE's per student and per graduate costs in the basic education system, and an increase in the productivity and employment of PVO and municipal vocational training graduates.

B. RELATIONSHIP TO USAID AND OTHER DONOR ACTIVITIES: The project will provide an important complement to the Mission's current primary and vocational education projects and the efforts of other donors (Germany, World Bank, Japan, and UNESCO) to improve the formal, basic education system. In vocational education, the project will target the disadvantaged sectors of Honduran society that will not have access to a proposed \$30 million IDB project for private secondary and post-secondary technical education, due to the academic and financial requisites for enrollment.

C. RELATIONSHIP OF THE PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES: The project is in accordance with Agency policies to diversify basic education opportunities, base instruction on the needs of disadvantaged sectors of society, involve community organizations and employers, utilize nonformal vocational education strategies, and provide skills and knowledge directly applicable to productivity and employment.

D. PROJECT ACTIVITY DESCRIPTION: The project will provide basic education and expanded nonformal vocational education opportunities for disadvantaged out of school youth and adults who are unemployed or underemployed, and have been marginalized by the traditional, formal basic and vocational education systems.

The Human Resource Development Council (CADERH: 522-0257) has been very successful in providing nonformal vocational training for out of school youth and adults by expanding coverage and strengthening the vocational training capabilities of PVOs and municipalities. The Primary Education Efficiency Project (PEEP: 522-0273) is also achieving significant improvements in the quality, efficiency and cost-effectiveness of primary education. It is estimated that by 1995 project interventions will have led to an increase of 50 percent in primary school graduates and a 30 percent reduction in dropout rates. Despite these improvements, less than 40 percent of all children will be completing primary school, only 10 percent will go on to complete secondary school, and less than 2 percent of the unemployed and underemployed, out school youth and adults will have access to vocational training.

Data from other developing countries indicate that until 60 percent of the emerging workforce completes primary school, at least 25 percent completes secondary school, and access to vocational training is available for young people and adults with no marketable skills, economic growth will be sluggish due to low productivity and a poorly trained workforce. With nearly 1,000,000 students presently enrolled in the formal primary school system and 97 percent of its budget dedicated to salaries, the MOE will be unable to provide additional teachers, facilities or funding for a rapid, massive increase in enrollments in basic or vocational education to meet the challenges of a more competitive global economy.

The project will address these constraints by establishing a nationwide alternative basic education delivery system and strengthening and expanding CADERH's network of PVO and municipal training centers.

The first component of the project will build upon experimental efforts with the MOE to develop an alternative basic education delivery mechanism, using interactive radio and other media, self-paced learning materials and basic education monitors, instead of teachers. The project will provide a complement to the traditional and more expensive classroom based system and will shift the burden of funding recurrent costs of the system from the GOH to participants, employers, PVOs and other entities.

The project's second component will build upon the successes of the CADERH project, expand and strengthen CADERH's network of 16 PVO and municipal training centers to approximately 35 training centers, and increase annual enrollments from approximately 3,000 to 10,000 out of school youth and adults. This component will construct and equip centers, provide self-paced competency based training materials, trade certification

exams, and train instructors. It is anticipated that increased enrollments and graduates from nonformal vocational training institutions will increase the cumulative individual productivity of participants by at least \$10 million over the life of the project.

The project's two major components are complementary, strategic interventions for meeting the educational and training needs of some of the least privileged sectors of society who have been marginalized by the formal education and training systems, promoting the concept of "life-long learning", while reducing the recurrent cost pressures on the GOH of both systems. Many participants will benefit from both the alternative basic education delivery system, which will increase the basic education levels of the workforce, and nonformal vocational training to increase individual productivity. The self-paced learning materials developed by the alternative basic education delivery system will be used by the nonformal vocational training network and the general public, and the curricula and training opportunities developed by the nonformal vocational education component will be used by the formal and nonformal vocational training sector to establish trade certification exams, competency based instruction, and a unified vocational trades evaluation system.

E. PLANNED IMPLEMENTATION ARRANGEMENTS: The project will be implemented through a Handbook 3 Agreement with the MOE and a Cooperative Agreement with CADERH.

F. SUSTAINABILITY OF PROPOSED ACTIVITIES: The recurrent costs of the basic education delivery system and vocational training will be minimal, with most of the costs being paid by participants, employers, PVOs, municipalities and community organizations.

G. MISSION MANAGEMENT ROLE: The Education and Training Officer of the Office of Human Resources Development will manage the project. The project will fund an administrative assistant.

H. POTENTIAL ISSUES AND/OR INNOVATIVE PROGRAM APPROACHES:

- CADERH's vocational centers are not affected by the Section 599 legislation, with the exception of one program that trains approximately 50-75 sewing machine operators per year who may then seek and obtain employment in the area's Export Processing Zones (EPZs). Training will be provided for individuals, rather than firms, thus it is anticipated that this training will not be affected by Sec. 599.
- The vocational training portion of the project will not meet the education earmark but will provide training for employment for the less favored sectors of society, which account for over 65 percent of the Honduran population, that have dropped out of the formal primary and secondary education systems. The current definition of basic education encourages investments in formal primary and secondary education systems which often cannot reach the least privileged sectors of society.

These sectors often drop out of formal schooling because of more immediate economic needs which will not allow them to remain in school over a six to twelve year period. They then enroll in vocational training programs of one to two years in length so that they can obtain gainful employment. It would seem that meeting these needs is just as critical as providing primary and secondary education. If there is an opportunity to redefine the education earmark, the Senate Foreign Relations Committee's suggestions for 1991 could provide more appropriate language for meeting the human resource needs of developing countries.

THE ISSUE WAS RAISED REGARDING THE MOST EFFECTIVE USE OF THE MISSION'S ESF MONIES IN FY 1994. BUREAU REPRESENTATIVES INDICATED THAT A LEVEL OF U.S. DOLS. 12 MILLION WAS LIKELY AND QUESTIONED WHETHER THE SUM WOULD BE SIGNIFICANT IN TERMS OF LEVERAGING POLICY REFORMS WITH THE GOH OR WHETHER ESF FUNDS SHOULD BE PROJECTIZED TO AVOID STRETCHING OUT IMPLEMENTATION OF THE PORTFOLIO. THE MISSION DIRECTOR INDICATED THAT THE BEST USE OF THE ESF RESOURCES WOULD BE IN LEVERAGING POLICY REFORM IN TARGETED SECTORS AND THAT HE DID NOT PROPOSE TO PROJECTIZE THESE FUNDS. IT WAS AGREED THAT THE MISSION WOULD EXAMINE KEY SECTORS - ENVIRONMENT, FINANCE, AGRICULTURE, DEMOCRACY AND JUSTICE, HEALTH AND EDUCATION AND TRADE - TO DETERMINE APPROPRIATE SECTORS FOR TARGETING ITS POLICY REFORM AGENDA. FOLLOWING THE MISSION'S ASSESSMENT OF POTENTIAL OPPORTUNITIES IN THESE SECTORS, IT WILL CONVEY ITS PROPOSED BALANCE OF PAYMENTS PROGRAM TO AID/W IN THE CONCEPT PAPER PRECEDING THE SUBMISSION OF FY 1994 ESF FAAD.

E. DEMOCRATIC INITIATIVES ISSUE.

THIS ISSUE WAS PRESENTED IN ORDER TO DISCUSS THE FOCUS OF THE MISSION'S CURRENT DEMOCRATIC INITIATIVE STRATEGY IN THE LIGHT OF RECENT EVENTS IN HONDURAS, WHICH HAVE HEIGHTENED CONCERNS IN THE AREAS OF CIVIL-MILITARY AND POLICE-JUSTICE RELATIONSHIPS. STATE/ARA IS PRESENTLY LEADING AN IN-HOUSE REVIEW OF U.S. POLICY AND POTENTIAL OPPORTUNITIES FOR FURTHER INTERVENTIONS IN THESE AREAS. THE REVIEW IS EXPECTED TO ANALYZE THESE QUESTIONS AND PRESENT ITS FINDINGS IN APRIL. IT WAS DECIDED THAT THE MISSION WILL REVIEW THE RESULTS OF THIS ASSESSMENT AND TAKE THEM INTO CONSIDERATION AS IT IMPLEMENTS ITS POLICY AGENDA. THE MISSION IS REQUESTED TO ADVISE AID/W OF ITS PLAN OF ACTION IN DEMOCRATIC INITIATIVES RESULTING FROM THIS REVIEW.

C. NFDS.

FY94

1. THE BASIC EDUCATION AND SKILLS PROJECT (522-0388) WAS DISCUSSED AND APPROVED. SUBSEQUENT PROJECT DEVELOPMENT/APPROVAL/AUTHORIZATION IS DELEGATED TO THE PT
#6764

NNNN

MISSION.

1995

2. IT WAS AGREED THAT THE SMALL BUSINESS II PROJECT (522-0241) AMENDMENT FOR U.S. DOLS. 7.5 MILLION INCREASING THE LOP TO U.S. DOLS. 22.5 MILLION WILL BE INCLUDED IN THE MISSION'S FY 95 ABS.

3. IT WAS AGREED THAT THE STRENGTHENED FAMILY PLANNING SERVICES PROJECT (522-0389) WITH AN LOP OF U.S. DOLS. 7 MILLION WILL BE INCLUDED IN THE MISSION'S FY 95 ABS.

4. IT WAS AGREED THAT THE MUNICIPAL DEVELOPMENT PROJECT (522-0340) AMENDMENT FOR U.S. DOLS. 2 MILLION INCREASING THE LOP TO U.S. DOLS. 12 MILLION WILL BE INCLUDED IN THE MISSION'S FY 95 ABS.

4. ACTION PLAN CLARIFICATIONS AND ISSUES RESOLVED

1. HIV/AIDS PROBLEMS: THE NEED FOR CONTINUED CLOSE COORDINATION BETWEEN AID/W AND THE MISSION WAS DISCUSSED REGARDING THE FORMULATION OF AN APPROPRIATE STRATEGY AND RESOURCE LEVELS FOR COMBATING THE HIV/AIDS PROBLEM IN HONDURAS. A CENTRALLY-FUNDED CONTRACTOR HAS DELIVERED A DRAFT ASSESSMENT REPORT TO THE MISSION. THE REPORT'S FINDINGS AND DRAFT PROPOSALS ARE UNDER DISCUSSION BETWEEN THE CONTRACTOR AND MISSION. ONCE THE REPORT IS FINALIZED AND HAS BEEN CONSIDERED BY USAID, THE MISSION WILL CABLE AID/W THE MISSION'S PROPOSED PLAN OF ACTION IN THE HIV/AIDS AREA PRIOR TO THIS YEAR'S ABS SUBMISSION.

2. POLICY AGENDA IN SOCIAL SECTORS: THE IMPORTANCE OF FOCUSING ON POLICY AGENDA AND INSTITUTIONAL STRENGTHENING ISSUES IN THE HEALTH AND EDUCATION SECTORS WITH ON-GOING PROJECTS WAS RAISED IN THE ISSUES MEETING. IN A SEPARATE SIDE MEETING IT WAS DECIDED THAT, IN THE STRATEGIC OBJECTIVE NARRATIVE OF NEXT YEAR'S ACTION PLAN, THE MISSION WILL DISCUSS HOW ITS PROGRAMS ARE CONTRIBUTING TO POLICY REFORM AND INSTITUTIONAL CHANGES NEEDED TO SUSTAIN GAINS BEING REPORTED IN THE SOCIAL SECTORS.

3. AS/CI CODE RESTRICTIONS: THE MISSION EXPRESSED CONCERN THAT A STRICT INTERPRETATION OF THE LEGISLATION RELATED TO CERTAIN AS/CI CODES COULD RESULT IN THE MISSION RECEIVING INADEQUATE CREDIT TOWARDS ITS BASIC EDUCATION EARMARK. IN A SIDE MEETING WITH LAC/DR/EHR IT WAS DETERMINED THAT THE PLANNED PROJECT IS WITHIN THE SCOPE OF THE AS/CI CODE DEFINITIONS.

CHRISTOPHER

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SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa D.C. 18 de Enero de 1995

CP-0060

Señor
MARSHALL D. BROWN
Director Agencia para el
Desarrollo Internacional (AID)
Presente

REF: SOLIC. FINANCIAMIENTO
PROY. EDUCACION PARA TODOS

Señor Director:

La Secretaría de Hacienda y Crédito Público, en nombre y representación del Gobierno de la República de Honduras, y a petición de la Secretaría de Educación Pública solicita a la Agencia para el Desarrollo Internacional conceda financiamiento hasta un monto por US\$. 10.0 (DIEZ MILLONES DE DOLARES), en concepto de Donación, para llevar a cabo la ejecución del Proyecto denominado "EDUCACION PARA TODOS" contenido en la Escuela Morazánica; cuyo proposito será ofrecer oportunidades educativas a jóvenes y adultos que deseen comenzar o terminar su escuela primaria o el Ciclo Común, mediante un programa innovador que incluirá la participación de municipalidades y ONGS que trabajan en la Educación de Adultos y Capacitación para el trabajo productivo. El Proyecto contempla los Componentes siguientes:

Componente I:

Educación para todos en la Escuela Morazánica. Este Componente tendrá el proposito de desarrollar formas alternativas de Educación Primaria y Secundaria.

II Educación Vocacional.

Consistirá en la expansión de la red de Centros de Capacitación existentes en el país, atendidos por ONGS y por Municipalidades.

III Políticas de Desarrollo.

Este componente apuntará asistir en estudios Sectoriales y que tienden al mejoramiento de la eficiencia, cobertura y calidad de la Educación Básica y de la Capacitación Vocacional.

INITIALS	ATTACHM	ACTION TAKEN	DATE	CAR	OTHER	EMBASSY	READER	CHRON	RIG	MDI	EPA	PSP	HRD/SP	HRD/FP	HRD/P	HRD/H	HRD/E	RD	CONT	DE	DP	EXD/PER	EXD/D	EXG/P	EXO	FLA	DMD	MD	OFFICE	REF
			2/1/95																											



SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

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CP-0060

El Proyecto es congruente con los planes de desarrollo del país y esta considerado dentro de las prioridades del mismo.

En espera de una respuesta favorable me suscribo de usted con muestras de consideración y estima.

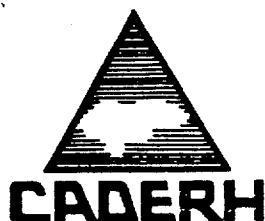
Atentamente,



JUAN F. FERRERA
Ministro.

CC: Licenciada Senobia Rodas de León Gomez
Ministra de Educación Pública.

CFC/IOS/rmhm.



ANNEX P

CENTRO ASESOR PARA EL DESARROLLO DE LOS RECURSOS HUMANOS DE HONDURAS

Tegucigalpa M.D.C. 9 de septiembre de 1994

DR. MARSHALL BROWN

Director

AGENCIA INTERNACIONAL PARA EL DESARROLLO

A.I.D.

Su Oficina

Presente

Distinguido Dr. Brown:

En mi condición de Director Ejecutivo del Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras, CADERH solicito a usted el financiamiento correspondiente para desarrollar el Componente II del Proyecto "Basic Education and Skills Training", BEST (1995-2000). A este proyecto lo consideramos de significativa importancia para el desarrollo de Honduras, por las razones siguientes:


- 1) Atenderá prioritariamente a los sectores de la sociedad que tienen limitaciones económicas para obtener servicios educativos.
- 2) Se beneficiarán aproximadamente unos 15,000 jóvenes y adultos de escasos recursos económicos, desempleados y sub-empleados.
- 3) Se fomentará la participación de la mujer en áreas no tradicionales de la Educación Técnica Vocacional.
- 4) Se operará bajo índices de rendimiento significativamente altos con retención igual o mayor a 80% colocación del 80% o más y un bajo costo por alumno-hora-instrucción.
- 5) Se atenderán comunidades rurales marginales y urbano-marginales.

Dr. Marshall Brown
Página No. 2
9 de septiembre de 1994

Los resultados del proyecto anterior (Productividad en Centros Técnicos Vocacionales) son una muestra de que se puede a través de CADERH, garantizar una ejecución dinámica, eficaz y eficiente. Se adjunta un resumen, así como el documento base del nuevo proyecto.

Esperando una respuesta favorable, reitero a usted mis más altas muestras de consideración y respeto.

Atentamente.


RAMON HASBUN

Director Ejecutivo



c: Archivo

R E S U M E N

PROYECTO BEST II ETAPA

1) Descripción:

El Proyecto está diseñado para atender prioritariamente a los sectores de la sociedad que se encuentran con limitaciones económicas para recibir el servicio educativo, dando participación efectiva a organizaciones comunitarias y sin fines de lucro, para utilizar estrategias de Educación Vocacional no formal que provean conocimientos y habilidades que sean aplicables y necesarias para el empleo así como para el aumento de la producción y productividad.

2) Propósito:

Incrementar la eficiencia, calidad y cobertura del sistema de Educación Vocacional.

3) Beneficiarios:

- a) 15,000 jóvenes y adultos (hombres y mujeres) de pocos recursos económicos, desempleados y sub-empleados que están fuera del sistema formal de educación.
- b) Aproximadamente 18 Centros Educativos de tipo Vocacional orientados a la capacitación no formal ubicados en diferentes regiones del país.

4) Impacto Socioeconómico:

Al egresar, los participantes debidamente certificados y al estar ocupando los puestos de trabajo para los cuales fueron capacitados, sus ingresos alcanzarán un mínimo de mil dólares anuales.

5) Metas del Proyecto:

Al finalizar el proyecto, se tendrá:

- a) Un mínimo de 12 de los 16 centros vocacionales actuales integrados en el proyecto con tasas de colocación de graduados y retención del 90%.
- b) Un mínimo de 15 Centros adicionales con tasas de colocación y retención del 80%.
- c) Que los Centros Vocacionales recuperarán entre el 30% y 40% de sus costos corrientes a base de la integración de la producción con la educación vocacional.
- d) Establecido el mecanismo para proveer continuamente asistencia técnica y capacitación para los Centros Vocacionales.
- e) Que de 26 a 30 Centros estarán proveyendo capacitación para aproximadamente 8.000 personas anualmente.

6) Duración del Proyecto

Noviembre 1994 a noviembre de 1999.

7) Monto del financiamiento:

US\$5,270,000.00 USAID

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ANNEX Q

HONDURAS - 1995

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification
(FAA Sec. 490):..(This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of nonagricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1995 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries, and programs identified in section 547 of that Act and other provisions of law that have similar notwithstanding authority.) If the recipient is a "major illicit drug producing country" (defined as a country in which during a year at least 1,000 hectares of illicit opium poppy is cultivated or harvested, or at least 1,000 hectares of illicit coca is cultivated or harvested, or at least 5,000 hectares of illicit cannabis is cultivated or harvested) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

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(1) has the President in the March 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 30 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

Yes. The President is expected to certify by March 1, 1995 that Honduras has cooperated fully with the U.S. If not certified assistance will be suspended accordingly.

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

Not Applicable.

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No.

3. Seizure of U.S. Property (Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, Sec. 527): If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 which has the effect of

No.

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nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without (during the period specified in subsection (c) of this section) either returning the property, providing adequate and effective compensation for the property, offering a domestic procedure providing prompt, adequate, and effective compensation for the property, or submitting the dispute to international arbitration? If the actions of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so?

4. **Communist and-other countries** (FAA Secs. 620(a), 620(f), 620D; FY 1995 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided directly to Cuba, Iraq, Libya, North Korea, Iran, Serbia, Sudan or Syri? Will assistance be provided indirectly to Cuba, Iraq, Libya, Iran, Syria, North Korea, or the People's Republic of China? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

Honduras is not a communist country.

5. **Mob Action** (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

Honduras has fully compensated the U.S.G. for damages from the April 1988 mob action. They have taken adequate measures to prevent such incidents.

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to

No.

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enter into an investment guaranty agreement with OPIC?

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No.

8. Loan Default (FAA Sec. 620(q); FY 1995 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1995 Appropriations Act appropriates funds?

Yes. Honduras is presently in default as defined in FAA SEC. 620 (q) and the Brooke Amendment by virtue of their default on a Paris Club rescheduling agreement. Before obligation of FY95 funds the arrears will be paid for rescheduled.

9. Military Equipment (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes. Taken into account by the Administrator at the time of approval of the FY 1995 OYB.

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the

Honduras is not in arrears to the U.N. to the extent described in Article 19 of the U.N.

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country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

charter. Other arrearages in general were taken into account by the Administrator at the time of approval of the FY 1995 OYB.

12. International Terrorism

a. Sanctuary and support (FY 1995 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No.

b. Airport Security (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No.

c. Compliance with UN Sanctions 538)(FY 1995 Appropriations Act Sec. Is assistance being provided to a country not in compliance with UN sanctions against Iraq, Serbia, or Montenegro and, if so, has the President made the necessary determinations to allow assistance to be provided?

No.

13. Countries that Export Lethal Military Equipment (FY 1995 Appropriations Act Sec. 563): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act?

No.

14. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin

No.

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or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

15. Nuclear Technology (Arms Export Control Act Secs. 101, 102): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E(d) permits a special waiver of Sec. 101 for Pakistan.)

No.

16. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

Yes. Taken into account by the Administrator at the time of approval of the FY 1995 OYB.

17. Military Coup (FY 1995 Appropriations Act Sec. 508): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No.

18. Exploitation of Children (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to

No.

protect children from exploitation, abuse or forced conscription into military or paramilitary services?

19. **Parking Fines (FY 1995 Appropriations Act Sec. 564):** Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of August 23, 1994?

The unpaid parking fines owed to the District of Columbia as of August 23, 1994 will reduce the obligations for FY 1995 by 110 percent of such amount.

B. **COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

C. **COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")**

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No.

LAC/CEN:KBaier/chklist.hon/1/11/95:7-9555

Clearances:

LAC/CEN:Kellis	<i>KG Ellis</i>	Date:	<i>7 Feb 95</i>
LAC/SAM:TKellerman	<i>TK</i>	Date:	<i>2/2/95</i>
LAC/SPM:DLaudis	<i>DL</i>	Date:	<i>28/Jan/95</i>
LAC/DPB:EZallman	<i>EZ</i>	Date:	<i>2/2/95</i>
LAC/GC:AAadams	<i>SC Adams</i>	Date:	<i>2/6/95</i>
ARA/CEN:Lallison	<i>LA</i>	Date:	<i>19 Jan 95</i>
State/IO/S/B:DLeis	<i>LA in DL</i>	Date:	<i>26 Jan 95</i>
State/INM/P:ABryson	<i>LA in RB</i>	Date:	<i>24 Jan 95</i>
State/HA//BA:MCurtain	<i>MC</i>	Date:	<i>20 Jan 95</i>
State/M/OFM/VTC:Glamonica	<i>LA in JC</i>	Date:	<i>24 Jan 95</i>

*Note - first initial is B
not A.*

*Curtin
s correct
spelling*

Jorge Cintron

II. ASSISTANCE CHECKLIST

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project will improve technical efficiency of industry, agriculture and commerce by improving the educational level and skills of Honduras' human resources.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

A better educated and skilled labor force may make Honduras more attractive to U.S. private investment. Any such investment, however, will be strictly constrained by the terms of Section 547 of the FY 1994 Appropriations Act.

3. Congressional Notification

a. General requirement (FY 1995 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Notice of USAID's intent to obligate funds was submitted to Congress on April 5, 1995. This notice expired without objection on April 20, 1995.

b. Special notification requirement (FY 1995 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification? Yes

c. Notice of account transfer (FY 1995 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

c. Cash transfers and nonproject sector assistance (FY 1995 Appropriations Act Sec. 536(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? N/A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? a. Yes
b. Yes

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? No legislative action is required.

6. Water Resources (FAA Sec. 611(b)): If project is for water or water-related land resource construction, have benefits and costs N/A

been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)?

7. Cash Transfer/Nonproject Sector Assistance Requirements (FY 1995 Appropriations Act Sec. 536). If assistance is in the form of a cash transfer or nonproject sector assistance:

N/A

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

b. **Local currencies:** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

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(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8. Capital Assistance (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

The 611(e) certification is attached as an Annex to the BEST Project Paper.

9. Multiple Country Objectives (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

See A.1 above

10. U.S. Private Trade (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

See A.2 above

11. Local Currencies

a. Recipient Contributions (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the

The GOH and educational and vocational training centers will contribute local

country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

currencies to operate these centers.

b. **U.S.-Owned Currency (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The U.S. owns no excess Honduran currency.

12. Trade Restrictions

a. **Surplus Commodities (FY 1995 Appropriations Act Sec. 513(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. **Textiles (Lautenberg Amendment) (FY 1995 Appropriations Act Sec. 513(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

13. **Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act):** Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. PVO Assistance

a. **Auditing and registration** (FY 1995 Appropriations Act Sec. 560): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

CADERH is a locally registered PVO with USAID and is in good standing.

b. **Funding sources** (FY 1995 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A. CADERH is a local PVO.

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

This Agreement is below the \$25 million threshold established for implementing Case-Zablocki.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically

Yes

available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. Abortions (FAA Sec. 104(f); FY 1995 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):

- | | |
|---|-----|
| a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options including abortion.) | No |
| b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? | No |
| c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? | No |
| d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.) | No |
| e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's | N/A |

religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.)

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

18. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? No. The project will, however, benefit the poor and other groups that have traditionally lacked access to basic education and vocational training.

19. U.S.-Owned Foreign Currencies

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1995 Appropriations Act Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. The U.S. owns no excess Honduran currencies.

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

20. Procurement

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes

b. U.S. procurement (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?

Yes

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Honduras does not so discriminate.

d. Insurance (FY 1995 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate?

N/A

e. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

f. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

No. Construction of educational centers will utilize very simple technologies (in most cases single room adobe) and will be contracted for locally.

g. Cargo preference shipping (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b)

No. The Project Authorization complies with the terms of section 901(b)

of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

of the Merchant Marine Act of 1936, as amended.

h. Technical assistance

(FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes. All technical assistance will come from private sources. (CADERH is private.) No technical assistance will be obtained from other Federal Agencies.

i. U.S. air carriers

(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

j. Consulting services

(FY 1995 Appropriations Act Sec. 559): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k. Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to

Yes

United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. Competitive Selection

Yes

Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

m. Notice Requirement (FY 1995

Yes

Appropriations Act Sec. 568): Will project agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made?

21. Construction

a. Capital project (FAA Sec.

601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

No. Construction will utilize simple technologies and will be contacted locally.

b. Construction contract (FAA

Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes

c. Large projects, Congressional

approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed

Construction of productive enterprise under this project will not exceed \$100 million.

\$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

22. U.S. Audit Rights (FAA Sec. 301(d)): N/A
If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

23. Communist Assistance (FAA Sec. 620(h). Do arrangements exist to insure that Yes
United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

24. Narcotics

a. Cash reimbursements (FAA Yes
Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

b. Assistance to narcotics Yes
traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

25. Expropriation and Land Reform Yes
(FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

26. **Police and Prisons (FAA Sec. 660):** Yes
Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
27. **CIA Activities (FAA Sec. 662):** Will Yes
assistance preclude use of financing for CIA activities?
28. **Motor Vehicles (FAA Sec. 636(i)):** Yes
Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
29. **Export of Nuclear Resources (FY** Yes
1995 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology?
30. **Publicity or Propaganda (FY 1995** No
Appropriations Act Sec. 554): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?
31. **Exchange for Prohibited Act (FY** No
1995 Appropriations Act Sec. 533): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?
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32. Commitment of Funds (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?

No. Endowment funds will be granted to CADERH and will be expended by CADERH when it establishes a Financial Management Agreement with a U.S. based Asset Manager.

33. Impact on U.S. Jobs (FY 1995 Appropriations Act, Sec. 545):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?

No

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?

No

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture?

No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1995 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety

N/A

improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

2. Tied Aid Credits (FY 1995 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Basic education and vocational skills training under BEST will be implemented by over 40 local non-governmental organizations. Improved educational levels among over 260,000 project graduates will help increase their ability to participate in local government and political processes.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes. Human resources development is a key ingredient for sustainable economic growth.

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

(a) Beneficiaries under BEST will be urban and rural poor who wish to learn a trade using appropriate technologies or improve their literacy and numeracy. (b) Through its support of local training centers, BEST may encourage democratic private and local governmental institutions. (c) BEST is supportive of Honduras' own development priorities. (d) 49% of the BEST graduates will be women, thus improving their chances of securing better remunerated employment. (e) BEST will not have activities related to regional cooperation.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

BEST beneficiaries will be part of the poor majority.

9. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

10. **Disadvantaged Enterprises (FY 1995 Appropriations Act Sec. 555):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

10% of printing services will be sub-contracted to Gray Amendment eligible firms.

11. **Biological Diversity (FAA Sec. 119(g):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (Note new special authority for biodiversity activities contained in section 547(b) of the FY 1995 Appropriations Act.)

No

12. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer

No

employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an

No

environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes

13. Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on:

N/A

(a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

14. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

15. Deobligation/Reobligation (FY 1995 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

16. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

N/A

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per

N/A

annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

17. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

See B.6 above.

18. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers:
If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of

N/A

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rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

This activity is not related to the efforts being carried out under FAA Section 104.

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

This activity will contribute to improved food security at the household level by increasing employment opportunities (and thus incomes) for the poor and thereby increasing their access to food. It is not related to efforts to improve food security at the national level.

19. **Population and Health** (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

20. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(a) BEST will strengthen nonformal vocational training and make formal education more relevant by offering alternative methods of education (radio, cassettes, self-paced written materials) for urban and rural poor. BEST will support local institutions in the delivery of specialized education services. (b) BEST is geared towards improving the basic educational and vocational skills of the Honduran workforce and those out-of-school youth about to enter the labor force.

21. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

The assistance is not related to the energy sector.

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

The project will have no links with U.S. PVOs or with regional or international development organizations.

c. research into, and evaluation of, economic development processes and techniques;

BEST will have an education policy research component.

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d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

22. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

The project is not intended to provide disaster relief.

BEST builds upon the experience of two successful USAID projects in the area of education.

Some of the NGOs participating under the BEST Project will have "business incubator" programs which will promote small start-up businesses.

N/A

ANNEX R

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

Under the Basic Education and Skills Training Project, the Centro Asesor de los Recursos Humanos de Honduras (CADERH) will be assisting up to 15 non-governmental organizations to construct vocational training centers. Dollar funds allocated for this purpose exceed the total of \$1,000,000.

I, Marshall D. Brown, the principal officer of the U.S. Agency for International Development (USAID) in Honduras, having taken into account among other factors the maintenance and utilization of projects in Honduras previously financed or assisted by the United States, do hereby certify that in my judgement Honduras has the financial capability and the human resources to effectively maintain and utilize the capital assistance elements of the Basic Education and Skills Training (BEST) Project.



Marshall D. Brown
Mission Director
USAID/Honduras